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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Design patents are limited to "any new, original and ornamental design for an article of manufacture." 35 U.S.C. 171. A design-patent holder may elect infringer's profits as a remedy under 35 U.S.C. 289, which provides that one who "applies the patented design ... to any article of manufacture ... shall be liable to the owner to the extent of his total profit, ... but [the owner] shall not twice recover the profit made from the infringement."

The Federal Circuit held that a district court need not exclude unprotected conceptual or functional features from a design patent's protected ornamental scope. The court also held that a design-patent holder is entitled to an infringer's entire profits from sales of any product found to contain a patented design, without any regard to the design's contribution to that product's value or sales. The combined effect of these two holdings is to reward design patents far beyond the value of any inventive contribution. The questions presented are:

1. Where a design patent includes unprotected non-ornamental features, should a district court be required to limit that patent to its protected ornamental scope?

2. Where a design patent is applied to only a component of a product, should an award of infringer's profits be limited to those profits attributable to the component?

RULE 29.6 STATEMENT

Samsung Electronics America, Inc. ("SEA") is a wholly-owned subsidiary of Samsung Electronics Co., Ltd. ("SEC"), a publicly held corporation organized under the laws of the Republic of Korea. SEC is not owned by any parent corporation and no other publicly held corporation owns 10% or more of its stock. No other publicly held corporation owns 10% or more of SEA's stock. Effective January 1, 2015, Samsung Telecommunications America, LLC ("STA") merged with and into SEA, and therefore STA no longer exists as a separate corporate entity.

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INTRODUCTION

This Court has decided many utility-patent cases in recent Terms, but has not reviewed a design-patent case in more than 120 years. Late nineteenth-century cases considered design patents on such products as a spoon handle, *Gorham Co. v. White*, 81 U.S. 511 (1871), a carpet, *Dobson v. Dornan*, 118 U.S. 10 (1886), a saddle, *Smith v. Whitman Saddle Co.*, 148 U.S. 674 (1893), and a rug, *Dunlap v. Schofield*, 152 U.S. 244 (1894). This case, by contrast, involves three design patents covering partial features of smartphones—complex products that contain hundreds of thousands of features that have nothing to do with a phone's design.

With the recent explosion of design patents in complex products like smartphones, the time is ripe for this Court to again take up the issue. A patented design might be the essential feature of a spoon or rug. But the same is not true of smartphones, which contain countless other features that give them remarkable functionality wholly unrelated to their design. By combining a cellphone and a computer, a smartphone is a miniature internet browser, digital camera, video recorder, GPS navigator, music player, game station, word processor, movie player and much more.

The three design patents at issue here cover only specific, limited portions of a smartphone's design: a particular black rectangular round-cornered front face, a substantially similar rectangular round-cornered front face plus the surrounding rim or "bezel," and a particular colorful grid of sixteen icons. Each of these patents contains indisputably unprotected elements within its overall claimed "ornamental" design. Some of those elements are not protected as

"ornamental" because they are conceptual: No one may own rectangles, round corners, the color black or the concept of a grid of icons. And some of those elements are not protected as "ornamental" because they are functional: Rectangular shapes and flat screens allow a user to view documents and media. Round corners make phones easier to slip into a pocket or purse. A bezel prevents the glass screen from shattering if a phone is dropped. Icons on a screen inform a user how to touch the screen to initiate various functions.

But the Federal Circuit nonetheless held that a district court need not instruct a jury to disregard those unprotected elements when assessing the similarities between a patented design and an accused product. The court allowed the jury to find infringement based merely on similarities in "overall appearance" and indeed, based on "any perceived similarities or differences" whatsoever.

Compounding this problem, the Federal Circuit allowed the jury to award Samsung's entire profits from the sale of smartphones found to contain the patented designs—here totaling $399 million. It held that Apple was "entitled to" those entire profits no matter how little the patented design features contributed to the value of Samsung's phones. In other words, even if the patented features contributed 1% of the value of Samsung's phones, Apple gets 100% of Samsung's profits.

The Federal Circuit did not dispute that such a result is ridiculous, but said it was compelled by Section 289 of the Patent Act. That is incorrect. Section 289 nowhere defines the "article of manufacture" to which a patented design is applied as the entire product (here, a smartphone) rather than the

portion of the product depicted in the design patent. And nothing in Section 289 suggests that Congress exempted design patents from the background principles of causation and equity that inform all of patent law, which after all is a species of tort.

Both holdings clearly warrant this Court's review. Each independently conflicts with the Patent Act. Together, they provide a vehicle for design-patent holders to obtain unjustified windfalls far exceeding the conceivable value of any inventive contribution. The decision below is thus an open invitation to litigation abuse, and has already prompted grave concern across a range of U.S. companies about a new flood of extortionate patent litigation, especially in the field of high technology.

Because the Federal Circuit has exclusive nationwide jurisdiction over patent law, only this Court's review can correct that court's misreading of the Patent Act and avert the potentially devastating consequences of the decision below. This Court should grant the petition.

OPINIONS BELOW

The opinion of the U.S. Court of Appeals for the Federal Circuit is reported at 786 F.3d 983 and reproduced at App. 1a-36a. The order of the court of appeals denying rehearing *en banc* is reproduced at App. 154a-155a. The order of the U.S. District Court for the Northern District of California regarding design patent claim construction is unreported but is available at 2012 WL 3071477 and reproduced at App. 37a-55a. The district court's orders denying in part certain post-trial motions are reported at 920 F. Supp. 2d 1079 and 926 F. Supp. 2d 1100 and are reproduced at App. 56a-113a and App. 114a-153a, respectively.

JURISDICTION

The court of appeals denied rehearing *en banc* on August 13, 2015. App. 154a-155a. On October 20, 2015, the Chief Justice extended the time for filing a petition for a writ of certiorari to December 14, 2015. This Court has jurisdiction under 28 U.S.C. 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

U.S. Constitution art. I, § 8, cl. 8 provides in pertinent part that:

> The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

The relevant provisions of the Patent Act, 35 U.S.C. 1, et seq., are reproduced at App. 156a-158a.

STATEMENT OF THE CASE

A. Statutory Background

This case involves the permissible scope of "design patents" as well as the remedies available for infringement of those patents. This Court is familiar with "utility patents," which are available for "any new and *useful* process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." 35 U.S.C. 101 (emphasis added). By contrast, design patents are available for "any new, original and *ornamental* design for an article of manufacture." 35 U.S.C. 171 (emphasis added). Design patents are historically cheaper and easier to obtain than utility patents—with a higher

allowance rate[1] and no requirement to pay maintenance fees, *see* 37 C.F.R. 1.362(b).

The statute does not define what constitutes a protected "ornamental" design, but it cannot protect "abstract ideas" or "physical phenomena" like basic shapes or concepts, *Bilski v. Kappos*, 561 U.S. 593, 601 (2010), and there is a well-accepted contrast with unprotected "functional" features, *see Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989). Although design patents were once available for "useful" product configurations, *see Smith*, 148 U.S. at 677, in 1902 Congress eliminated "the word 'useful' as applied to design patents ... and substitut[ed] the word 'ornamental,'" H.R. Rep. No. 57-1661, at 1 (1902); *see* Act of May 9, 1902, ch. 783, Pub. L. No. 57-109, 32 Stat. 193.

While utility-patent holders may recover only "damages adequate to compensate for the infringement," 35 U.S.C. 284, such as an award of lost profits or a reasonable royalty, design-patent holders may elect those remedies or infringer's profits under 35 U.S.C. 289. That section provides:

> Whoever during the term of a patent for a design, without license of the owner ... applies the patented design ... to any article of manufacture ... shall be liable to the owner to the extent of his total profit, but not less than $250 ....

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[1] *Compare* USPTO, http://www.uspto.gov/corda/dashboards/patents/main.dashxml?CTNAVID=1006 (84% of design-patent applications allowed), *with* USPTO, http://www.uspto.gov/corda/dashboards/patents/main.dashxml?CTNAVID=1005 (67.8% of utility, plant, and reissue patent applications allowed).

> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. 289.[2] The statute does not define what constitutes "an article of manufacture."

B. The Smartphone Industry

Although "unheard of ten years ago," smartphones are now owned by "a significant majority of American adults." *Riley v. California*, 134 S. Ct. 2473, 2482 (2014). They "are now such a pervasive and insistent part of daily life that the proverbial visitor from Mars might conclude they were an important feature of human anatomy." *Id.*

Samsung has long been an industry leader in the field of mobile phones, which it has made and sold since 1988.[3] Samsung was the first mobile-phone manufacturer, for example, to introduce devices that incorporated 3-D cameras, MP3 music players, and voice recognition.[4] Apple, by contrast, was a latecomer

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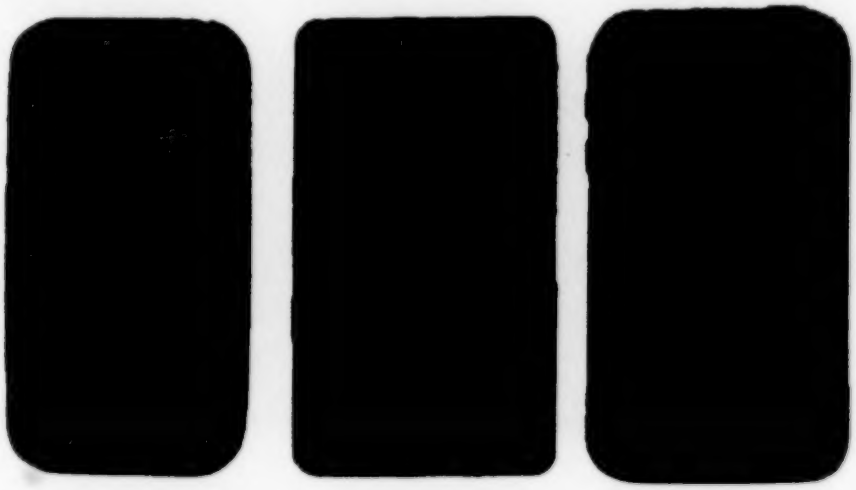
[2] Congress eliminated infringer's profits as a remedy for utility-patent infringement in 1946. *See* Act of Aug. 1, 1946, ch. 726, Pub. L. No. 79-587, 60 Stat. 778.

[3] *See Samsung Handsets Through The Ages: A Photo Tour of Phone Firsts*, ZDNET (May 28, 2015), http://www.zdnet.com/pictures/samsung-handsets-through-the-ages-a-photo-tour-of-phone-firsts/.

[4] *See Vintage Mobiles*, http://www.gsmhistory.com/vintage-mobiles/.

to the mobile-phone industry, announcing the iPhone in January 2007 and launching it in June 2007 [5]

Well before Apple's iPhone entered the market in 2007, companies other than Apple were independently developing rectangular, round-cornered smartphone devices with large, flat, clear touchscreens. For example, Samsung and LG had developed product designs by 2006 that incorporated configurations similar to those in Apple's design patents:



Samsung Q-Bowl LG Prada Apple iPhone[6]

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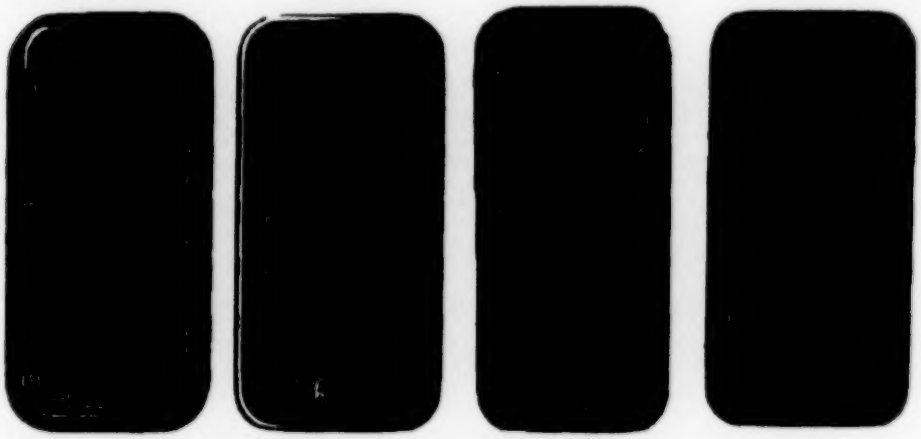
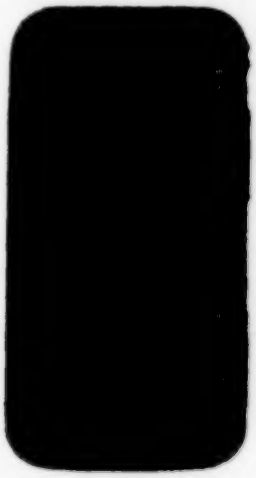
[5] *E.g.*, Mike Musgrove, *Apple Seeks To Muscle Into Telecom With iPod Phone*, WASHINGTON POST, Jan. 10, 2007, at D1, *available at* http://www.washingtonpost.com/wp-dyn/content/article/2007/01/09/AR2007010900698.html.

[6] A7408-09, A7415, A7465-73 (Samsung Q-Bowl); A24675, A29563-71, Chris Ziegler, *The LG KE850: touchable chocolate*, ENGADGET (Dec. 15, 2006), http://www.engadget.com/2006/12/15/the-lg-ke850-touchable-chocolate/ (LG Prada); *Apple iPhone*, http://www.gsmarena.com/apple_iphone-1827.php (Apple iPhone). (Citations in the form A___ refer to the joint appendix before the Federal Circuit, *Apple Inc. v. Samsung Electronics Co.*, No. 14-1335 (Fed. Cir.).)

Samsung also developed additional prototypes and mock-ups in 2006, including those below, all before the iPhone was announced:



A7401-13. The Samsung F700, which was announced in early 2007 and went to market later that year, retained the same essential design concept:



See A27594.[7]

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[7] *See also Samsung F700*, http://www.gsmarena.com/samsung_f700-1849.php.

The use of such rounded rectangular shapes as the basic design for the iPhone and other contemporary smartphones is unsurprising. As Apple's CEO Steve Jobs told Apple engineers when earlier convincing them to use such shapes, one need only look around at ordinary objects like no-parking signs to see that "'[r]ectangles with rounded corners are everywhere!'"[8]

The worldwide smartphone market grew tenfold between 2007 and 2014, with sales rising from 122 million devices to 1.24 billion devices. That explosion in popularity results from smartphones' functionality. Apple's own advertising touts the functional features of its phones.[9] And after Samsung adopted Google's Android operating system for its flagship products in 2010, its share of the smartphone market rose considerably.[10]

As of 2012, the Patent and Trademark Office ("PTO") had issued more than 250,000 smartphone-related patents, constituting 16% of all active U.S.

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[8] WALTER ISAACSON, STEVE JOBS 130 (2011). According to his biographer, Jobs continued, "'Just look around this room! ... And look outside, there's even more [rectangles with rounded corners], practically everywhere you look! Within three blocks, we found seventeen examples .... I started pointing them out everywhere [*e.g.*, a No Parking sign] until he was completely convinced.'" *Id.*

[9] *See, e.g.*, *Apple iPhone 4 Official Introduction*, https://www.youtube.com/watch?v=KEaLJpFxR9Q (emphasizing videoconferencing, camera, video recording, processing chip and battery features).

[10] *See, e.g.*, Alex Cocotas, *Samsung Maintains Lead In The Smartphone Market, Despite iPhone 5*, BUSINESS INSIDER (Feb. 9, 2013), http://www.businessinsider.com.au/samsung-is-the-smart phone-king-2013-2; Kent German, *A Brief History of Android Phones*, CNET (Aug. 2, 2011), http://www.cnet.com/news/a-brief-history-of-android-phones/.

patents.[11] Any individual smartphone may incorporate the vast majority of those 250,000 patented technologies.[12] About six percent of all smartphone-related patents are design patents.[13]

C. Apple's Asserted Design Patents And Trade Dresses

This petition arises from a decision affirming a judgment awarding Apple $399 million for supposed infringement of three of Apple's design patents. A design patent uses pictures rather than verbal descriptions to claim its invention. While some design patents depict entire products or decorative patterns that can be applied to entire products, other design patents (as here) cover only a portion or small component of a product. The Federal Circuit's predecessor confirmed the PTO's authority to allow such partial claiming. *See In re Zahn*, 617 F.2d 261, 267 (C.C.P.A. 1980). Partial design patents use

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[11] *See* Daniel O'Connor, *One In Six Active U.S. Patents Pertain To The Smartphone*, PROJECT DISCO (Oct. 17, 2012), http://www.project-disco.org/intellectual-property/one-in-six-active-u-s-patents-pertain-to-the-smartphone/.

[12] David Drummond, *When Patents Attack Android* (Aug. 3, 2011), https://googleblog.blogspot.com/2011/08/when-patents-attack-android.html; Michael Risch, *Software Patents and the Smartphone*, PRAWFSBLAWG (Nov. 15, 2012), http://prawfsblawg.blogs.com/prawfsblawg/2012/11/software-patents-and-the-smartphone.html (noting the "oft repeated statistic: that there are 250,000 patents that might be infringed by any given smartphone").

[13] *See* Joel Reidenberg et al., *Patents and Small Participants in the Smartphone Industry*, 18 STAN. TECH. L. REV. 375, 394 (2015).

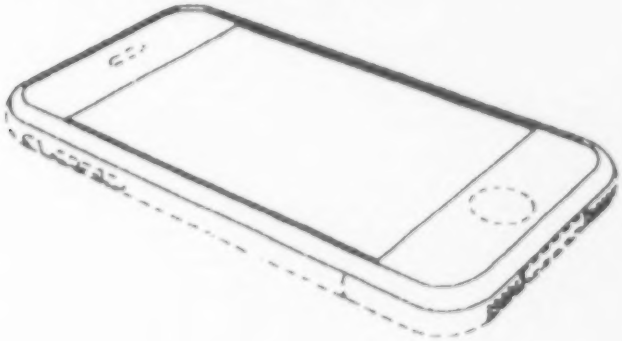
broken lines in their drawings to exclude features that are not part of the "claimed design."[14]

All three design patents at issue here claim "[t]he ornamental design ... as shown and described" in such pictures, and all three claim only partial features of a smartphone's design. Using solid lines for the claimed subject matter and broken lines for disclaimed features, Apple's D618,677 ("D'677") patent shows a black rectangular front face with rounded corners, as follows:

[14] As the PTO states in its Manual of Patent Examining Procedure ("MPEP"), "[t]he two most common uses of broken lines are to disclose the environment related to the claimed design and to define the bounds of the claim. Structure that is not part of the claimed design, but is considered necessary to show the environment in which the design is associated, may be represented in the drawing by broken lines. This includes any portion of an article in which the design is embodied or applied to that is not considered part of the claimed design." MPEP § 1503.02, *available at* http://www.uspto.gov/web/offices/pac/mpep/s1503.html.

A1310-14.

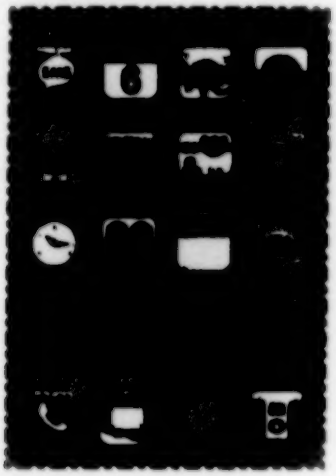
Apple's D593,087 ("D'087") patent is substantially similar to the D'677 as it depicts a rectangular front face with rounded corners, but with the addition of a "bezel," or surrounding rim, as follows:



A1294-308.

Apple's D604,305 ("D'305") patent relates not to the physical front face of the device, but instead to a

particular grid of sixteen colorful icons on a black screen, shown as follows:



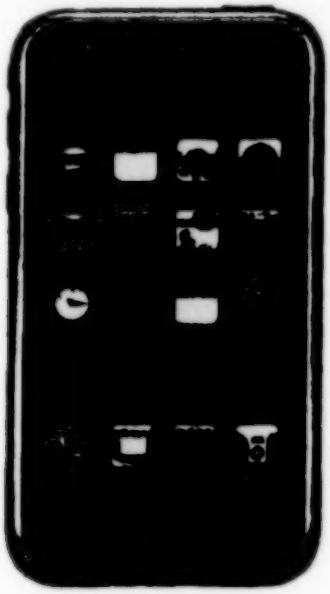
A20061-67

Apple also asserted trade dresses materially identical to the designs it claimed in the D'677, D'087 and D'305 patents. It asserted unregistered trade-dress rights in:

> [a] rectangular product with four evenly rounded corners; [a] flat clear surface covering the front of the product; [t]he appearance of a metalic bezel around the clear flat surface; [a] display screen under the clear surface; ... substantial black borders above and below the screen and narrower black borders on either side of the screen; ... a matrix of colorful square icons with evenly rounded corners ... [and] a bottom dock of colorful square icons ... set off from the other icons on the display ....

A7361. And Apple asserted a registered trade dress (No. 3,470,983) that included a grid of sixteen icons

nearly identical to the one depicted in the D'305 patent, as follows:



A20036-38.

D. The District Court Proceedings

Apple filed this action in the U.S. District Court for the Northern District of California in 2011, alleging, among other things, that various Samsung smartphones infringed the D'677, D'087 and D'305 patents and diluted the unregistered and registered trade dresses.

1. As to design-patent liability, the district court ruled that it need not distinguish Apple's protected ornamental design from the unprotected conceptual and functional aspects of the patent figures. At the outset of trial, the court rejected Samsung's request that the court construe the patent claims so as to limit them to their protected, ornamental scope. App. 38a. The court instead stated that it would defer any such determination until the close of evidence. *Id.*

At trial, the evidence showed that Apple's design patents and trade dresses contain unprotected conceptual and functional features. Samsung's unrebutted evidence showed that rounded corners improve a phone's "pocketability" and "durability" (A40869-70; A42612-16), that a non-rectangular display element would be difficult and "expensive" to manufacture and "completely rare" (A42611-12; A40874-75), that the rectangular shape of the device maximizes the size of the rectangular display it can hold (A42612), that a clear flat front surface facilitates finger-touch operation over the entire display (A42616-17), and that the borders surrounding the display efficiently accommodate and hide underlying components (A40681; A40871-72).

Moreover, Apple's witnesses admitted that "having a clear cover over the display element" was "absolutely functional" (A41202-03), that "you need a speaker at the top to hear" (A40681), that the bezel keeps the glass from hitting the ground if the phone is dropped (A40495-96), that "rounded corners certainly help you move things in and out of your pocket" (A40682), and that Apple may not own "a colorful matrix of icons" or "icons arranged in rows and columns in a grid" (A41479-80), which inform the user that the phone will perform particular functions when specific icons are selected (A41459).

At the close of evidence, however, the district court again declined to draw any distinction between the patents' protected and unprotected features. The court merely instructed the jury (over Samsung's objection) that each patent "claims the ornamental design of an electronic device [or graphical user interface] as shown." App. 160a-161a. The court did not define "ornamental" or instruct the jury that the

conceptual and functional elements shown in the drawings are not protected.

The district court further instructed the jury (again, over Samsung's objection) that it should find infringement if "the overall appearance of an accused Samsung design is substantially the same as the overall appearance of the claimed Apple design patent." App. 162a. The court did not tell the jury to look at similarities only in the *ornamental* aspects of the phones' appearance, nor did it equip the jury to understand what the claimed ornamental aspects were. To the contrary, the district court instructed the jury that it "should consider *any* perceived similarities or differences between the patented and accused designs." *Id.* (emphasis added).

The district court thus left the jury free to decide for itself the scope of the claimed "ornamental" design. Under the court's instructions, the jury could look at Apple's patented designs, look at Samsung's phones, see that both have rectangular shapes, rounded corners, flat screens and colorful icon grids, and decide, *voila!*, that there must be design-patent infringement—even though those shared features are conceptual and functional, not ornamental.

2. As to design-patent damages, the district court awarded infringer's profits in the amount of Samsung's entire profits on sales of its accused phones. The court never required Apple to prove that its patented design features contributed materially (or at all) to those sales.

To the contrary, the district court instructed (over Samsung's objection) that, if the jury found infringement and declined to impose Apple's lost profits or a reasonable royalty as the measure of damages, "Apple

is entitled to all profit earned by [Samsung] on sales of articles that infringe Apple's design patents." App 165a. And it defined that profit as Samsung's "entire profit on the sale of the article to which the patented design is applied and not just the portion of profit attributable to the design or ornamental aspects covered by the design." *Id.*

3. The jury found infringement of all three design patents and dilution of Apple's trade dresses, and awarded damages. After a partial retrial resulting from Samsung's post-trial motions, the district court entered final judgment awarding $399 million attributable to design-patent infringement and $382 million attributable to trade-dress dilution.[15]

E. The Federal Circuit Decision

The Federal Circuit reversed as to trade-dress dilution but affirmed as to design-patent infringement. The court upheld the district court's refusal to limit the design patents to their protected ornamental scope and upheld the award to Apple of all of Samsung's profits from its accused smartphones.

1. Applying Ninth Circuit law, the Federal Circuit reversed the $382 million judgment for trade-dress dilution. App. 6a-18a. The court held the asserted trade dresses—which are materially the same as the patented designs at issue—invalid as "functional." *Id.*

The court relied on the "extensive evidence in the record that showed the usability function of every single element in the unregistered trade dress," App. 11a, and the "undisputed usability function of the

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[15] The remaining $149 million in damages attributable to utility-patent infringement is not at issue in this petition.

individual elements" of the registered trade dress, App. 17a. As to Apple's unregistered trade dress, the court drew several examples from the record as described above: the "rounded corners improve 'pocketability' and 'durability,'" the "rectangular shape maximizes the display that can be accommodated," and the "flat clear surface on the front of the phone facilitates touch operation." App. 11a-12a. As to Apple's registered trade dress, the court noted that Apple's "icon designs promote usability" by "'communicat[ing] to the consumer ... that if they hit that icon, certain functionality will occur on the phone.'" App. 16a (quoting Apple's expert witness).

2. Despite the virtual identity between the invalid "functional" Apple trade dresses and the three design patents, the Federal Circuit (this time applying its own precedent) affirmed the $399 million design-patent judgment. The court held that, even where a design patent includes unprotected conceptual and functional elements, the district court need not "eliminate entire elements from the claim scope." App. 22a; *see id.* (reiterating that the district court need not "eliminate elements from the claim scope of a valid patent in analyzing infringement"). And the court found no error in the district court's direction to the jury to consider "overall appearance" and "any perceived similarities or differences," App. 162a, rather than only *ornamental* appearance and *ornamental* similarities and differences. App. 22a-23a.

To the contrary, the Federal Circuit concluded that the district court had done all it needed to do by instructing the jury that the design patents each "claim[ed] 'the ornamental design' as shown in the patent figures." App. 23a. The court failed to explain

how that instruction could assist the jury when it merely recited what was already on the face of the patents. And it failed to explain how such a reference to "'the ornamental design' as shown" could be helpful to the jury when the district court nowhere defined the term "ornamental," nowhere identified the ornamental aspects of Apple's patented designs, and nowhere told the jury that Apple's design patents contained unprotected elements that should not be considered when determining infringement.

3. The Federal Circuit also upheld the district court's award of Samsung's entire profits from the sale of its smartphones found to infringe the design patents. App. 27a-29a. According to the Federal Circuit, "total profit" in Section 289 constitutes all of an infringer's profits from an entire product, no matter how little that profit is attributable to the infringement. App. 28a-29a. The court held that "the clear statutory language prevents us from adopting a 'causation' rule," App. 28a, because the phrase "article of manufacture" in Section 289 means an entire item "sold separately ... to ordinary purchasers," not the portion of the product that contains the infringing design, App. 29a.

The court did not deny that "an award of a defendant's entire profits for design patent infringement makes no sense in the modern world." App. 28a n.1. Nor did the court attempt to reconcile its interpretation with the statutory requirement that the patentee "shall not twice recover the profit *made from the infringement*." 35 U.S.C. 289 (emphasis added).

4. The Federal Circuit denied rehearing *en banc*. App. 154a-155a. This petition followed.

REASONS FOR GRANTING THE WRIT

The Federal Circuit's decision conflicts with the Patent Act and greatly overprotects and overcompensates design patents. It overprotects them by holding that they need not be limited to their protected ornamental scope. It overcompensates them by allowing their holders to obtain massive windfalls far exceeding the inventive value of their patents.

Each of these holdings alone would warrant this Court's review. And together, they plainly do. The Federal Circuit's decision is an open invitation to litigation abuse and the escalating and extortionate assertion of design patents, including by entities that do not practice their patents (also known as "trolls"). The decision has accordingly already reverberated throughout the multi-billion dollar high-tech industry.

Nothing in the Patent Act compels or authorizes such harmful results. Congress could not have intended the scope of design patents, alone among all forms of intellectual property, to be unrestricted to protectable subject matter or defined by unguided jury discretion rather than rigorous construction by courts. And Congress could not have intended design-patent damages, alone among all forms of intellectual-property remedies, to be exempt from ordinary principles of causation and proportionality.

This Court should grant review to correct the Federal Circuit's erroneous interpretation of the Patent Act, and to prevent the vast overprotection and overcompensation of design patents that would follow from the decision below if left intact.

I. THIS COURT SHOULD REVIEW THE FEDERAL CIRCUIT'S HOLDING THAT A DISTRICT COURT NEED NOT LIMIT A DESIGN PATENT TO ITS PROTECTED ORNAMENTAL SCOPE

It is undisputed, based on the clear words of the Patent Act, that Apple's design patents can cover only "ornamental" designs. And it is indisputable, based on the evidence and the Federal Circuit's own holding on the trade-dress claims, that Apple's design patents cover non-ornamental conceptual and functional features. But no one—not the jury, not the district court, and not the Federal Circuit—made any effort to ensure that infringement was limited to the protected ornamental features. The result is that Apple's patents have been effectively enlarged to include conceptual and functional features that are beyond legitimate design-patent protection.

A. The Decision Below Conflicts With Section 171 Of The Patent Act

Design-patent protection is limited to "any new, original and *ornamental* design for an article of manufacture." 35 U.S.C. 171 (emphasis added). By Section 171's own terms, the protectable scope of design patents does not encompass *non*-ornamental features. "Ornamental" is not defined in the statute and is not a self-defining term. But it cannot include concepts, shapes or colors, for no patent can. *Bilski*, 561 U.S. at 603. And it cannot include "functional" features, for those are the proper domain of utility-patent law. *See Bonito Boats*, 489 U.S. at 148; *Gorham*, 81 U.S. at 524 ("The acts of Congress which authorize the grant of patents for designs were plainly intended to give encouragement to the decorative arts.

They contemplate not so much utility as appearance ....").

Here, however, the jury was never told as much. Apple's design patents indisputably contain a host of unprotected features, as is plain from the Federal Circuit's ruling invalidating Apple's trade dresses claiming almost precisely the same features. But the district court never construed the patents to exclude those unprotected features. It never even told the jury that valid design patents *could* have unprotected features, much less explained how to identify them and exclude them from the infringement analysis. It instead told the jury to consider "any perceived similarities or differences" between the patented features and the accused products, App. 162a, including even similarities in "shape or configuration," App. 164a.

In affirming, the Federal Circuit held as a matter of law that courts need never define "ornamental," identify the ornamental aspects of a patented design, or distinguish those protected ornamental aspects from unprotected elements. On the Federal Circuit's view, courts may simply inform the jury—with no explanation or guidance—that a design patent claims "'the ornamental design' as shown in the patent figures." App. 22a.

The Federal Circuit held that Apple "provided sufficient testimonies to allow the jury to account for any functional aspects in the asserted design patents." App. 25a. But the jury was not even told that the patents *could* have functional or other unprotected aspects, much less that it should account for them. The jury thus had no way of knowing that conceptual or functional attributes like rounded corners and rectangular form should be disregarded in deciding

whether Samsung's phones infringed Apple's patented designs.[16]

The Federal Circuit's refusal to cabin design patents to their protected ornamental scope conflicts with Section 171. Under the Federal Circuit's ruling, infringement may be found based on the use of non-ornamental attributes, like the rounded rectangular form, that the design-patent holder does not own. It blinks reality to suppose that the jury in this case—or the juries in the many design-patent infringement suits that will follow—have any way, left to their own devices, to faithfully implement the Patent Act's essential limitation of the patentable subject matter to "ornamental" designs. 35 U.S.C. 171.

The Federal Circuit's ruling also creates tension with other areas of intellectual property law that routinely enforce limitations to protectable scope. For example, copyright law, through "filtration" and other devices that "serve[] 'the purpose of defining the scope of plaintiff's copyright,'" requires that unprotectable ideas be identified and factored out before infringement is considered. *Computer Assocs. Int'l v. Altai, Inc.*, 982 F.2d 693, 707-08 (2d Cir. 1992) (quoting *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1475-76 (9th Cir. 1992)); *see also Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1443 (9th Cir. 1994) (denying copyright protection for "the

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[16] In fact, Apple's expert witnesses repeatedly cited unprotected functional elements as a basis for their infringement opinions. The experts opined, for example, that Samsung's products conveyed an overall impression similar to the patented designs because both those products and the patents included a "regular grid" and a "colorful mix of icons" (A41379) and a "rectangular display area" under a "transparent" surface and a speaker slot "in the upper border area" (A41017-18; *see* A41053).

idea of a graphical user interface, or the idea of a desktop metaphor").

Trademark law likewise deems a claimed trade dress unprotectable as functional "when it is essential to the use or purpose of the device or when it affects the cost or quality of the device." *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 34 (2001); *see Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982) (similar). Indeed, in this very case the Federal Circuit had no trouble invalidating Apple's trade dresses based on such functional attributes. But under the Federal Circuit's own far more stringent test for functionality in the design-patent context—that a design must be "dictated by function," *see, e.g.*, *High Point Design LLC v. Buyers Direct, Inc.*, 730 F.3d 1301, 1315-16 (Fed Cir. 2013)—almost no design patent will ever be invalidated. And functional elements will almost never be factored out of a jury's infringement analysis. *See* App. 60a (district court ruling that it need not "instruct the jury to factor out functional design elements" because "Samsung had not shown that the allegedly functional design elements were actually functional under the Federal Circuit's 'dictated by function' standard"). These tensions with copyright and trademark law reinforce the need for this Court's intervention.

B. The Decision Below Conflicts With This Court's Precedents Requiring Judicial Construction Of Patent Claims

The Federal Circuit's decision also warrants review because it conflicts with this Court's precedents in the closely analogous context of utility patents, which recognize that district courts have a duty to construe patent claims and eliminate unprotected features. *See*

Markman v. Westview Instruments, Inc., 517 U.S. 370, 390 (1996). That duty rests with courts (not juries) even when claim construction involves factual disputes. *See Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015).

That duty likewise extends to design patents. Utility-patent construction is allocated to courts rather than juries to promote "uniformity" and avoid "uncertainty." *Markman*, 517 U.S. at 390. Those goals pertain equally to design patents. But while the Federal Circuit acknowledges that *Markman* applies to design patents, it allows district courts (as here) to decline to provide any meaningful claim construction, based on an apparent concern that courts may not be able to convert design-patent pictures into words. *See Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 679-80 (Fed. Cir. 2008) (en banc).

Any such concern is misplaced. A district court can easily, for example, instruct a jury on what "ornamental" means and what it excludes, identify to a jury a design patent's conceptual, functional and ornamental aspects, and instruct a jury not to find infringement based on conceptual or functional similarities. The Federal Circuit here, for example, had no trouble describing in words the unprotected functional aspects of Apple's trade dresses, including those illustrated by pictures.

For all of these reasons, this Court should review the design-patent liability judgment.

II. THIS COURT SHOULD REVIEW THE FEDERAL CIRCUIT'S HOLDING THAT DESIGN-PATENT OWNERS ARE ENTITLED TO ALL PROFITS FROM A PRODUCT THAT CONTAINS AN INFRINGING DESIGN

This Court's review is also necessary to correct the Federal Circuit's holding as a matter of law that an infringer of a design patent is liable for all of the profits it made from its entire product, no matter how little the design contributed to the product's value or sales. The significance of this holding is hard to overstate: if a patented design is only 1% responsible for the product's sale, the patent's owner still gets 100% of the profits. Under that rule, a jury that awards infringer's profits must award the entire profits on a car (or even an eighteen-wheel tractor-trailer) that contains an infringing cup-holder, and must award the entire profits on every pair of shoes that contains an infringing heel, sole or lace.

The Federal Circuit did not dispute that such results are absurd, but stated its belief that statutory text compels them. That belief is incorrect. Nothing in the text of Section 289 supports the Federal Circuit's breathtaking construction, or suggests that Congress intended such a radical departure from traditional principles of causation and equity. Just as this Court reviewed the question whether any infringement however small should yield an injunction, *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006), it should grant review here to decide whether any infringement however small should yield an award of an infringer's entire profits.

A. The Decision Below Conflicts With Section 289 Of The Patent Act And Prior Decisions

Section 289 provides that an infringer who "applies the patented design ... to any *article of manufacture* ... shall be liable to the extent of his total profit ... but [the owner] shall not twice recover the profit *made from the infringement*." 35 U.S.C. 289 (emphases added). The Federal Circuit's construction disregards the natural reading of the phrases "article of manufacture" and "made from the infringement."

1. The Federal Circuit first erred in deeming the relevant "article of manufacture" to be the entire product "sold separately ... to ordinary consumers." App. 29a. That definition of "article of manufacture" was pure *ipse dixit*. The court provided no basis for its interpretation, much less the strong justification needed where an interpretation of a statute produces absurd results.

The far more natural reading is that Section 289 authorizes recovery of total profits on the *portion* of a product to which the patented design is applied—here, the front face of the smartphone, the face plus bezel, and a single screen of a graphical user interface. The Patent Act does not define the term "article of manufacture." But the first edition of Black's Law Dictionary, published only four years after Congress enacted the relevant statutory text in 1887, defines an "article" as "one of several things presented as connected or forming a whole." BLACK'S LAW DICTIONARY 92 (1st ed. 1891). And it defines "manufacture" as "[a]ny useful product made directly by human labor, or by the aid of machinery directed and controlled by human power ...." *Id.* at 751. Thus, an "article of manufacture" may be a part of a whole and

may be connected with other "articles of manufacture" to form an entire product as sold.

The same phrase also appears in Section 171's specification of patentable subject matter: "any new, original and ornamental design for an *article of manufacture*." 35 U.S.C. 171 (emphasis added). As Apple's own D'677, D'087 and D'305 patents illustrate, Section 171 authorizes the issuance of design patents claiming less than an entire product and imposes no "separate sale" requirement. As the Federal Circuit's immediate predecessor explained, "the statute is not limited to designs for complete articles, or 'discrete' articles, and certainly not to articles separately sold ...." *Zahn*, 617 F.2d at 268. The Federal Circuit's reading of "article of manufacture" to mean an "entire product" as "separately sold" conflicts with its predecessor's interpretation of Section 171—and with the PTO's routine practice, confirmed in *Zahn*, of allowing such partial claiming without regard to how the patented design will be applied or marketed.

The Federal Circuit's interpretation of "article of manufacture" also conflicts with decisions of other courts of appeals closer in time to the statute's enactment in 1887. In the *Piano Cases*, for example, the Second Circuit allowed an award of infringer's profits from the patented design of a *piano case* but *not* from the sale of the *entire piano*, holding that "recovery should be confined to the subject of the patent." *Bush & Lane Piano Co. v. Becker Bros.*, 222 F. 902, 904 (2d Cir. 1915). The Second Circuit explained that, "[w]hen the patent owner is awarded the profits due to his design he receives all he is entitled to." *Id.* at 905. As the court explained by analogy, "[a] patent for a 'book binding' cannot ... be so identified with the entire book as to give all the profits

on a work of literary genius to the patentee of a binding, although the binding was manufactured with and for that one book, and has no separate commercial existence." *Bush & Lane Piano Co. v. Becker Bros. (Piano II)*, 234 F. 79, 81-82 (2d Cir. 1916); *see id.* at 82 (noting that the binding and the book "are different *articles*") (emphasis added).

The Federal Circuit purported to distinguish the *Piano Cases* on the ground that "ordinary purchasers regarded a piano and a piano case as distinct articles of manufacture." App. 29a. But the Second Circuit expressly rejected that very distinction, holding that it was "unsupported by the evidence" and that, in any event, the existence of a "separate market ... makes no difference in the rule of law." *Piano II*, 234 F. at 83.

Similarly, in *Young v. Grand Rapids Refrigerator Co.*, 268 F 966 (6th Cir. 1920), the Sixth Circuit affirmed the denial of all profits from the sale of refrigerators where the infringed patent related only to the design of the refrigerator's door latch. The court explained that it was not even "seriously contended" that the patentee could recover all profits from sales of refrigerators containing that latch. *Id.* at 974.

Apple's D'677 and D'087 patents reflect a rectangular front face of an electronic device with rounded corners and accompanying bezel, not an entire smartphone. Apple's D'305 patent reflects the layout of icons on a single screen of a smartphone user interface, not the entire phone. The relevant "articles of manufacture" are thus the front face, the front face with bezel, and the screen with its layout of icons. It is *not* the entire phone, which incorporates thousands of other design- and utility-patent features. Contrary to the Federal Circuit's holding, Apple is therefore at

most entitled only to profits attributable to those three components of Samsung's phones.

2. Even if an entire smartphone could be regarded as the relevant "article of manufacture," that phrase must be read together with the next paragraph of Section 289, which provides that a patentee "shall not twice recover the profit made from the infringement." 35 U.S.C. 289. The Federal Circuit erred in disregarding the latter phrase, which plainly specifies a causation requirement. When Section 289 is read as a whole, the "total profit" recoverable under its first paragraph is most naturally limited to the "profit made from the infringement" as set forth in the second paragraph.

An additional textual clue supporting this reading is found in Section 284 of the Patent Act. That provision allows "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer." 35 U.S.C. 284. It is well established that Section 284 limits damages to the harm *caused by* the infringement. *See Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc) (lost profits); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010) (per curiam) (reasonable royalty). Thus, for example, if a patented feature contributes only minimally to profits on a product, the patentee can obtain a *lost-profits* award amounting to only a small fraction of those profits. But under the Federal Circuit's approach, the same patentee can obtain 100% of *infringer's profits* despite the patent's same minimal contribution. There is no basis for giving such similar language from related sections of the Patent Act such disparate meanings. *See, e.g.*, *Gustafson v. Alloyd Co.*, 513 U.S. 561, 570 (1995)

(applying "normal rule of statutory construction" that "identical words used in different parts of the same act are intended to have the same meaning") (quoting *Dep't of Revenue v. ACF Indus., Inc.*, 510 U.S. 332, 342 (1994)).

Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390 (1940), interpreting similar language in the copyright context, highlights the Federal Circuit's error in disregarding the phrase "made from the infringement." *Sheldon* interpreted the damages provision of the Copyright Act of 1909, which provides for an award of "all" infringer's profits but also includes the phrase "made from such infringement." *Id.* at 399 (quoting 17 U.S.C. 25(b) (1940)). This Court held that, in light of the latter phrase, "all" profit means not the entirety of the defendant's profits, but rather profits "attributable to the infringement." *Id.* The Court noted that this reading is consistent with the statute's purpose, which is "to provide just compensation for the wrong, not to impose a penalty." *Id.*

As noted, the Federal Circuit's contrary interpretation of Section 289 produces absurd and anomalous results. The Federal Circuit's holding would require awarding Apple all of Samsung's profits for sales of a smartphone containing any Apple design patent, even a trivial one.[17] And under this holding, profits on an

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[17] For instance, Apple holds a design patent claiming a single icon depicting a musical note:

U.S. Patent No. D668,263 (filed Oct. 8, 2010), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0668263.

entire car—or even an eighteen-wheel tractor trailer—must be awarded based on an undetachable infringing cup-holder. *Cf. Apple Inc. v. Samsung Elecs. Co.*, 735 F.3d 1352, 1368 (Fed. Cir. 2013).

The anomalies do not stop there. The Federal Circuit's reading of the statute would appear to allow multiple recoveries of a manufacturer's profits from different patentees—for example, from a boat manufacturer whose boat infringed separately owned windshield, rooftop and seat designs,[18] or a shoemaker that infringed separately owned design patents for the sole, heel and lace.[19] Even if the first such award were deemed to have exhausted all profits, and the second and third patent holders in the race to the courthouse could obtain only a reasonable royalty, the infringer would still have to pay more than its full profits. Congress could not have intended such absurd results.

B. The Decision Below Conflicts With Background Principles Of Causation And Equity

1. The Federal Circuit's interpretation of Section 289 also flies in the face of well-settled tort principles of causation that served as the backdrop against which Congress adopted the Patent Act. *Cf. Meyer v. Holley*,

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[18] *Cf. Pac. Coast Marine Windshields Ltd. v. Malibu Boats, LLC*, 2014 WL 4185297, *11 (M.D. Fla. Aug. 22, 2014) (ruling that under Section 289 plaintiff was "entitled to [defendant's] profits from the sale of its boats with the [infringing] windshield") (citing App. 133a).

[19] *Cf. Skechers U.S.A., Inc. v. DB Shoe Co.*, No. 14-cv-07009 (C.D. Cal.), D.E. 1, at 21 (requesting, in suit alleging infringement of designs for shoe uppers and outsoles, "Defendant's total profit from Defendant's sales of footwear that infringes the" patented designs).

537 U.S. 280, 285 (2003). "The cardinal principle of damages in Anglo-American law is that of compensation for the injury *caused to* plaintiff by defendant's breach of duty." *Carey v. Piphus*, 435 U.S. 247, 254-55 (1978) (emphasis added). This Court has recognized and applied that principle in numerous prior cases—even without the textual support present here—including in such varied areas as securities law, *Dura Pharm., Inc. v. Broudo*, 544 U.S. 336, 343-45 (2005); employment law, *Univ. of Tex. Sw. Med. Ctr. v. Nassar*, 133 S. Ct. 2517, 2525 (2013); RICO, *Holmes v. Sec. Investor Prot. Corp.*, 503 U.S. 258, 267-68 (1992); and the Violence Against Women Act, *Paroline v. United States*, 134 S. Ct. 1710, 1720 (2014).

2. Similarly, the Federal Circuit's decision ignores that disgorgement of the defendant's profits is a classic equitable remedy for which the accepted measure of recovery generally is "the net profit *attributable to* the underlying wrong." RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 51(4) (2011) (emphasis added). Where disgorgement is available in patent cases, it has thus been "given in accordance with the principles governing equity jurisdiction, not to inflict punishment but to prevent an unjust enrichment by allowing injured complainants to claim 'that which ... is theirs, and *nothing beyond this*.'" *Sheldon*, 309 U.S. at 399 (quoting *Livingston v. Woolworth*, 56 U.S. 546, 560 (1853)) (emphasis added); *see also Tilghman v. Proctor*, 125 U.S. 136, 146 (1888) (stating that, if infringer obtained "no ... advantage in his use of the plaintiff's invention, there can be no decree for profits").

Any "major departure from the long tradition of equity practice should not be lightly implied" under the Patent Act. *eBay*, 547 U.S. at 392. There is no

reason to suppose that Congress intended to abandon traditional notions of causation and equity in Section 289.

3. The Federal Circuit understood Congress to have rejected a "causation rule" in enacting the Patent Act of 1887. App 27a. But that ruling conflicts with Section 289's history and purpose.

Congress adopted the relevant statutory text in 1887 in response to this Court's decisions in *Dobson v. Dornan*, 118 U.S. 10 (1886), and *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885). Those decisions limited a plaintiff to "only nominal damages" for infringement of a patented carpet design absent proof of the portion of the defendant's profits "attributable to the value of the design as distinct from the value of the carpet itself." *Trans-World Mfg. Corp. v. Al Nyman & Sons Inc.*, 750 F.2d 1552, 1567 (Fed. Cir. 1984).

But this history furnishes no basis to conclude, as the Federal Circuit did, that Congress intended to expand the measure of infringer's profits to total profits on the entire product sold to consumers where a patented design covers only a small component of the product. To the contrary, Congress was concerned that the *Dobson* decisions precluded "effectual money recovery for infringement" where a patented design was applied to the entirety of *a single, undifferentiated* article of manufacture, as in the case of "beautiful carpets, wall-papers and oil-clothes." H.R. Rep. No. 49-1966, at 1, 3 (1886). In such unitary articles, because "designs are the principal feature," 18 Cong. Rec. 835 (1887) (statement of Rep. Martin), Congress presumed that "it is the design that sells the article," H.R. Rep. No. 49-1966, at 3.

But no similar presumption is appropriate in cases involving products more complex than "carpeting, oil-clothes, wall paper, and things of that sort." 18 Cong. Rec. 835. As to products like today's smartphones, there is no reason to suppose from the legislative history that Congress intended to eliminate all background principles of causation and equity or insist that the "article of manufacture" is the entire product as sold rather than the portion of the product to which the patented design is applied. For its part, the Federal Circuit pointed to no evidence that Congress intended to create the wildly anomalous result of its decision. But such a radical change in the law surely would have been noted. *See Church of Scientology of Cal. v. IRS*, 484 U.S. 9, 17-18 (1987).

This Court's review is necessary to correct the Federal Circuit's misreading of Section 289.

III. THE DECISION BELOW PRESENTS ISSUES OF RECURRING AND NATIONWIDE IMPORTANCE

In requiring Samsung to disgorge all its profits from its smartphones based on their use of a rounded rectangular form and grids of colorful icons, the Federal Circuit's decision creates a sea change in the law of design patents that dramatically increases their value relative to other forms of intellectual property. Absent this Court's intervention, design patents will have whatever scope juries choose to give them, and a design-patent holder will be entitled to the infringer's profits on the entire product even if the patented design applies only to a part of the product and the design has only minor value relative to the product as a whole. Such unjustified windfalls are available nowhere else in patent, copyright or trademark law.

For example, the Federal Circuit's decision allows patentees and patent trolls to use design patents to leverage functional features to obtain total infringer's profits that they could not obtain under utility-patent law. That result strikes at the heart of the innovation that the patent laws are intended to foster. Under the Federal Circuit's decision, design patents are no longer a tool to secure just rewards to patentees for their ornamental inventions but rather a weapon to take profits from others, even where those profits are attributable to the infringer's own innovations that have nothing to do with the patentee's ornamental design.

In the injunction context, patent law and the public interest both lose if "the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations." *eBay*, 547 U.S. at 396 (Kennedy, J., concurring). The Federal Circuit, applying *eBay*, has likewise recognized that a patentee should not be permitted to use injunctions to "leverage its patent for competitive gain beyond that which the inventive contribution and value of the patent warrant." *Apple Inc. v. Samsung Elecs. Co.*, 695 F.3d 1370, 1375 (Fed. Cir. 2012). So too here, granting patentees leverage (and recovery) far beyond the value of their design patents is contrary to the careful balance struck by the patent laws.

Because of this great potential for abuse, the decision below has prompted a national outcry, with commentators stating that it "poses a real danger for

companies everywhere,"[20] that it will lead to an "explosion of design patent assertions and lawsuits,"[21] and that "design patents [will] becom[e] the next business model for patent assertion entities"—i.e., patent trolls.[22] Even approving commentators noted that the decision below "has the potential to dramatically alter design patent infringement litigation and settlement negotiations" by "giv[ing] design patent holders more leverage over [alleged] infringers."[23]

Companies that do not use their patents—whose only business is patent litigation—have already seized on the decision to demand sizeable payments for pur-

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[20] Jeff John Roberts, *Apple, rounded corners and the new debate over design patents*, FORTUNE (Aug. 19, 2015), http://fortune.com/2015/08/19/apple-patents-rounded-corners/.

[21] Jason Rantanen, *Apple v. Samsung: Design Patents Win*, PATENTLYO (May 18, 2015), http://patentlyo.com/patent/2015/05/samsung-design-patents.html.

[22] Gary L. Griswold, *35 USC 289—After Apple v. Samsung, Time for a Better-Crafted Judicial Standard for Awarding "Total Profits"?*, PATENTLYO (Aug. 14, 2015), http://patentlyo.com/patent/2015/08/griswold-patent-damages.html; *see also* Bartlett Cleland, *Flawed by design*, THE HILL (Oct. 12, 2015), http://thehill.com/blogs/congress-blog/technology/256563-flawed-by-design ("Design patents have become increasingly attractive as a new target" for "patent trolls").

[23] David M. Marcus & Shawn K. Leppo, *Welcome Fallout from the Smartphone Wars: Federal Circuit embraces strong protection of design patents*, METROPOLITAN CORPORATE COUNSEL (July 17, 2015), http://www.metrocorpcounsel.com/articles/32603/welcome-fallout-smartphone-wars-federal-circuit-embraces-strong-protection-design-pat; *see also* Cleland, *supra* n.22 (explaining that decision below creates "perverse incentive ... to bring design patent infringement cases, even with the weakest merits, intended to motivate defendants to settle and avoid the unbalanced risk should damages be assessed").

ported design-patent infringement.[24] The "real losers" from the Federal Circuit's decision thus may well be "smaller enterprises, entrepreneurs and manufacturers that are now at risk of paying total profits over the shape and look of something that's patented."[25] For instance, the Federal Circuit recently relied on the decision below to remand for determination of a small manufacturer's *total* profits from an infringing product (a dock leveler), even though the patented design was for a small component of that product (a lip and hinge plate). *See Nordock, Inc. v. Systems Inc.*, 803 F.3d 1344, 1354-55 (Fed. Cir. 2015).

This issue, moreover, is one of constitutional significance. The Patent Clause authorizes Congress to "promote the Progress of Science ..., by securing for limited Times to ... Inventors the exclusive Right to their respective ... Discoveries." U.S. Const., art. I, § 8, cl. 8. It "reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition." *Bonito Boats*, 489 U.S. at 146. And it thus precludes "enlarge[ment of] the patent monopoly without regard to the innovation, advancement or social benefit gained thereby." *Graham v. John Deere Co.*, 383 U.S. 1, 5-6 (1966).

The Federal Circuit's decision raises serious constitutional questions by permitting a patentee to recover profits well beyond those attributable to

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[24] *See* Giuseppe Macri, *Patent Trolls are Already Abusing the Apple v. Samsung Ruling*, INSIDESOURCES (Oct. 1, 2015), http://www.insidesources.com/patent-trolls-are-already-abusing-the-apple-v-samsung-ruling/.

[25] Steve Lebsock, *Court battle over design patents could affect Colorado economy*, THE BUSINESS TIMES (Nov. 17, 2015), http://thebusinesstimes.com/court-battle-over-design-patents-could-affect-colorado-economy/.

its own "Discoveries." Apple did not "discover" the rounded rectangle or the grid. By permitting findings of infringement based on Samsung's use of such conceptual and functional elements, the decision below expands Apple's patent monopoly far beyond the scope of any ornamental invention. And by upholding an award of Samsung's profits without any link between those profits and Apple's invention, the Federal Circuit has allowed Apple to retain compensation well beyond any harm it could have suffered to its legitimate design-patent monopoly. These two holdings independently (and certainly in combination) present important and recurring issues of constitutional significance that warrant this Court's review.

CONCLUSION

The petition should be granted.

Respectfully submitted,

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December 14, 2015

APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2014-1335, 2015-1029

APPLE INC., a California corporation,

Plaintiff-Appellee

v.

SAMSUNG ELECTRONICS CO., LTD., a Korean corporation, SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation, SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants-Appellants

Appeals from the United States District Court for the Northern District of California in No. 5:11-cv-01846, Judge Lucy H. Koh.

Decided: May 18, 2015

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Before PROST, *Chief Judge*, O'MALLEY and CHEN, *Circuit Judges*.

PROST, *Chief Judge*.

Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., Samsung Telecommunications America, LLC (collectively, "Samsung") appeal from a final judgment of the U.S. District Court for the Northern District of California in favor of Apple Inc. ("Apple").

A jury found that Samsung infringed Apple's design and utility patents and diluted Apple's trade dresses. For the reasons that follow, we affirm the jury's verdict on the design patent infringements, the validity of two utility patent claims, and the damages awarded for the design and utility patent infringements appealed by Samsung. However, we reverse the jury's findings that the asserted trade dresses are protectable. We therefore vacate the jury's damages awards against the Samsung products that were found liable for trade dress dilution and remand for further proceedings consistent with this opinion.

BACKGROUND

Apple sued Samsung in April 2011. On August 24, 2012, the first jury reached a verdict that numerous Samsung smartphones infringed and diluted Apple's

patents and trade dresses in various combinations and awarded over $1 billion in damages.

The infringed design patents are U.S. Design Patent Nos. D618,677 ("D'677 patent"), D593,087 ("D'087 patent"), and D604,305 ("D'305 patent"), which claim certain design elements embodied in Apple's iPhone. The infringed utility patents are U.S. Patent Nos. 7,469,381 ("'381 patent"), 7,844,915 ("'915 patent"), and 7,864,163 ("'163 patent"), which claim certain features in the iPhone's user interface. The diluted trade dresses are Trademark Registration No. 3,470,983 ("'983 trade dress") and an unregistered trade dress defined in terms of certain elements in the configuration of the iPhone.

Following the first jury trial, the district court upheld the jury's infringement, dilution, and validity findings over Samsung's post-trial motion. The district court also upheld $639,403,248 in damages, but ordered a partial retrial on the remainder of the damages because they had been awarded for a period when Samsung lacked notice of some of the asserted patents. The jury in the partial retrial on damages awarded Apple $290,456,793, which the district court upheld over Samsung's second post-trial motion. On March 6, 2014, the district court entered a final judgment in favor of Apple, and Samsung filed a notice of appeal. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

We review the denial of Samsung's post-trial motions under the Ninth Circuit's procedural standards. *See Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 563 F.3d 1358, 1370-71 (Fed. Cir. 2009). The Ninth Circuit reviews de novo a denial of a motion for judgment as a matter of law. *Id.* "The test is whether the evidence, construed in the light most favorable to the nonmoving

party, permits only one reasonable conclusion, and that conclusion is contrary to that of the jury." *Id.* (citing *Theme Promotions, Inc. v. News Am. Mktg. FSI*, 546 F.3d 991, 999 (9th Cir. 2008)).

The Ninth Circuit reviews a denial of a motion for a new trial for an abuse of discretion. *Revolution Eyewear*, 563 F.3d at 1372. "In evaluating jury instructions, prejudicial error results when, looking to the instructions as a whole, the substance of the applicable law was [not] fairly and correctly covered." *Gantt v. City of Los Angeles*, 717 F.3d 702, 707 (9th Cir. 2013) (quoting *Swinton v. Potomac Corp.*, 270 F.3d 794, 802 (9th Cir. 2001)) (alteration in original). The Ninth Circuit orders a new trial based on jury instruction error only if the error was prejudicial. *Id.* A motion for a new trial based on insufficiency of evidence may be granted "only if the verdict is against the great weight of the evidence, or it is quite clear that the jury has reached a seriously erroneous result." *Incalza v. Fendi N. Am., Inc.*, 479 F.3d 1005, 1013 (9th Cir. 2007) (internal quotation marks omitted).

Samsung appeals numerous legal and evidentiary bases for the liability findings and damages awards in the three categories of intellectual property asserted by Apple: trade dresses, design patents, and utility patents. We address each category in turn.

I. Trade Dresses

The jury found Samsung liable for the likely dilution of Apple's iPhone trade dresses under the Lanham Act. When reviewing Lanham Act claims, we look to the law of the regional circuit where the district court sits. *ERBE Elektromedizin GmbH v. Canady Tech. LLC*, 629 F.3d 1278, 1287 (Fed. Cir. 2010). We therefore apply Ninth Circuit law.

The Ninth Circuit has explained that "[t]rade dress is the totality of elements in which a product or service is packaged or presented." *Stephen W. Boney, Inc. v. Boney Servs., Inc.*, 127 F.3d 821, 828 (9th Cir. 1997). The essential purpose of a trade dress is the same as that of a trademarked word: to identify the source of the product. 1 McCarthy on Trademarks and Unfair Competition § 8:1 (4th ed.) ("[L]ike a word asserted to be a trademark, the elements making up the alleged trade dress must have been *used* in such a manner as to denote product source."). In this respect, "protection for trade dress exists to promote competition." *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 28 (2001).

The protection for source identification, however, must be balanced against "*a fundamental right to compete through imitation of a competitor's product . . .*" *Leatherman Tool Grp., Inc. v. Cooper Indus., Inc.*, 199 F.3d 1009, 1011-12 (9th Cir. 1999). This "right can only be *temporarily* denied by the patent or copyright laws." *Id.* In contrast, trademark law allows for a perpetual monopoly and its use in the protection of "physical details and design of a product" must be limited to those that are "nonfunctional." *Id.* at 1011-12; *see also Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164-65 (1995) ("If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity)."). Thus, it is necessary for us to determine first whether Apple's asserted trade dresses, claiming elements from its iPhone product, are non-functional and therefore protectable.

"In general terms, a product feature is functional if it is essential to the use or purpose of the article or if

it affects the cost or quality of the article." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982). "A product feature need only have *some* utilitarian advantage to be considered functional." *Disc Golf Ass'n v. Champion Discs, Inc.*, 158 F.3d 1002, 1007 (9th Cir. 1998). A trade dress, taken as a whole, is functional if it is "in its particular shape *because it works better in this shape*." *Leatherman*, 199 F.3d at 1013.

"[C]ourts have noted that it is, and should be, more difficult to claim product configuration trade dress than other forms of trade dress." *Id.* at 1012-13 (discussing cases). Accordingly, the Supreme Court and the Ninth Circuit have repeatedly found product configuration trade dresses functional and therefore non-protectable. *See, e.g., TrafFix*, 532 U.S. at 26-27, 35 (reversing the Sixth Circuit's reversal of the district court's grant of summary judgment that a trade dress on a dual-spring design for temporary road sign stands was functional); *Secalt S.A. v. Wuxi Shenxi Const. Mach. Co.*, 668 F.3d 677, 687 (9th Cir. 2012) (affirming summary judgment that a trade dress on a hoist design was functional); *Disc Golf*, 158 F.3d at 1006 (affirming summary judgment that a trade dress on a disc entrapment design was functional).

Moreover, federal trademark registrations have been found insufficient to save product configuration trade dresses from conclusions of functionality. *See, e.g., Talking Rain Beverage Co. v. S. Beach Beverage*, 349 F.3d 601, 602 (9th Cir. 2003) (affirming summary judgment that registered trade dress covering a bottle design with a grip handle was functional); *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 782-83 (9th Cir. 2002) (affirming summary judgment that registered trade dress covering a handheld cutter design was functional). The Ninth Circuit has even reversed a jury

verdict of non-functionality of a product configuration trade dress. *See Leatherman*, 199 F.3d at 1013 (reversing jury verdict that a trade dress on the overall appearance of a pocket tool was non-functional). Apple conceded during oral argument that it had not cited a single Ninth Circuit case that found a product configuration trade dress to be non-functional. Oral Arg. 49:06-30, *available at* http://www.cafc.uscourts.gov/oral-argument-recordings/14-1335/all.

The Ninth Circuit's high bar for non-functionality frames our review of the two iPhone trade dresses on appeal. While the parties argue without distinguishing the two trade dresses, the unregistered trade dress and the registered '983 trade dress claim different details and are afforded different evidentiary presumptions under the Lanham Act. We analyze the two trade dresses separately below.

A. Unregistered Trade Dress

Apple claims elements from its iPhone 3G and 3GS products to define the asserted unregistered trade dress:

> a rectangular product with four evenly rounded corners;
>
> a flat, clear surface covering the front of the product;
>
> a display screen under the clear surface;
>
> substantial black borders above and below the display screen and narrower black borders on either side of the screen; and
>
> when the device is on, a row of small dots on the display screen, a matrix of colorful square icons with evenly rounded corners within the display screen, and an unchanging bottom dock

> of colorful square icons with evenly rounded corners set off from the display's other icons.

Appellee's Br. 10-11. As this trade dress is not registered on the principal federal trademark register, Apple "has the burden of proving that the claimed trade dress, taken as a whole, is not functional . . . ." *See* 15 U.S.C. § 1125(c)(4)(A).

Apple argues that the unregistered trade dress is non-functional under each of the *Disc Golf* factors that the Ninth Circuit uses to analyze functionality: "(1) whether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture." *See Disc Golf*, 158 F.3d at 1006. However, the Supreme Court has more recently held that "a feature is also functional . . . when it affects the cost or quality of the device." *See TrafFix*, 532 U.S. at 33. The Supreme Court's holding was recognized by the Ninth Circuit as "short circuiting some of the *Disc Golf* factors." *Secalt*, 668 F.3d at 686-87. Nevertheless, we explore Apple's contentions on each of the *Disc Golf* factors and conclude that there was insufficient evidence to support a jury finding in favor of non-functionality on any factor.

1. Utilitarian Advantage

Apple argues that "the iPhone's physical design did not 'contribute unusually . . . to the usability' of the device." Appellee's Br. 61 (quoting J.A. 41095:11-12) (alteration in original). Apple further contends that the unregistered trade dress was "developed . . . not for 'superior performance.'" *Id.* at 62 n.18. Neither "unusual usability" nor "superior performance," however, is

the standard used by the Ninth Circuit to determine whether there is any utilitarian advantage. The Ninth Circuit "has never held, as [plaintiff] suggests, that the product feature must provide *superior* utilitarian advantages. To the contrary, [the Ninth Circuit] has suggested that in order to establish nonfunctionality the party with the burden must demonstrate that the product feature serves *no purpose* other than identification." *Disc Golf*, 158 F.3d at 1007 (internal quotation marks omitted).

The requirement that the unregistered trade dress "serves *no purpose* other than identification" cannot be reasonably inferred from the evidence. Apple emphasizes a single aspect of its design, beauty, to imply the lack of other advantages. But the evidence showed that the iPhone's design pursued more than just beauty. Specifically, Apple's executive testified that the theme for the design of the iPhone was:

> to create a new breakthrough design for a phone that was beautiful and simple and *easy to use* and created a beautiful, smooth surface that had a touchscreen and went right to the rim with the bezel around it and looking for a look that we found was beautiful and *easy to use* and appealing.

J.A. 40722-23 (emphases added).

Moreover, Samsung cites extensive evidence in the record that showed the usability function of every single element in the unregistered trade dress. For example, rounded corners improve "pocketability" and "durability" and rectangular shape maximizes the display that can be accommodated. J.A. 40869-70; J.A. 42612-13. A flat clear surface on the front of the phone facilitates touch operation by fingers over a large display. J.A. 42616-

17 The bezel protects the glass from impact when the phone is dropped. J.A. 40495. The borders around the display are sized to accommodate other components while minimizing the overall product dimensions. J.A. 40872. The row of dots in the user interface indicates multiple pages of application screens that are available. J.A. 41452-53. The icons allow users to differentiate the applications available to the users and the bottom dock of unchanging icons allows for quick access to the most commonly used applications. J.A. 42560-61; J.A. 40869-70. Apple rebuts none of this evidence.

Apple conceded during oral argument that its trade dress "improved the quality [of the iPhone] in some respects." Oral Arg. 56:09-17. It is thus clear that the unregistered trade dress has a utilitarian advantage. *See Disc Golf*, 158 F.3d at 1007.

2. Alternative Designs

The next factor requires that purported alternative designs "offer *exactly* the same features" as the asserted trade dress in order to show non-functionality. *Tie Tech*, 296 F.3d at 786 (quoting *Leatherman*, 199 F.3d at 1013-14). A manufacturer "does not have rights under trade dress law to compel its competitors to resort to alternative designs which have a different set of advantages and disadvantages." *Id.*

Apple, while asserting that there were "*numerous* alternative designs," fails to show that any of these alternatives offered exactly the same features as the asserted trade dress. Appellee's Br. 62. Apple simply catalogs the mere existence of other design possibilities embodied in rejected iPhone prototypes and other manufacturers' smartphones. The "mere existence" of

other designs, however, does not prove that the unregistered trade dress is non-functional. *See Talking Rain*, 349 F.3d at 604.

3. Advertising of Utilitarian Advantages

"If a seller advertises the utilitarian advantages of a particular feature, this constitutes strong evidence of functionality." *Disc Golf*, 158 F.3d at 1009. An "inference" of a product feature's utility in the plaintiff's advertisement is enough to weigh in favor of functionality of a trade dress encompassing that feature. *Id.*

Apple argues that its advertising was "[f]ar from touting any utilitarian advantage of the iPhone design . . . ." Appellee's Br. 60. Apple relies on its executive's testimony that an iPhone advertisement, portraying "the distinctive design very clearly," was based on Apple's "product as hero" approach. *Id.* (quoting J.A. 40641-42; 40644:22). The "product as hero" approach refers to Apple's stylistic choice of making "the product the biggest, clearest, most obvious thing in [its] advertisements, often at the expense of anything else around it, to remove all the other elements of communication so [the viewer] see[s] the product most predominantly in the marketing." J.A. 40641-42.

Apple's arguments focusing on its stylistic choice, however, fail to address the substance of its advertisements. The substance of the iPhone advertisement relied upon by Apple gave viewers "the ability to see a bit about how it might work," for example, "how flicking and scrolling and tapping and all these multitouch ideas simply [sic]." J.A. 40644:23-40645:2. Another advertisement cited by Apple similarly displayed the message, "[t]ouching is believing," under a picture showing a user's hand interacting with the graphical user interface of an iPhone. J.A. 24896. Apple fails to show

that, on the substance, these demonstrations of the user interface on iPhone's touch screen involved the elements claimed in Apple's unregistered trade dress and why they were not touting the utilitarian advantage of the unregistered trade dress.

4. Method of Manufacture

The fourth factor considers whether a functional benefit in the asserted trade dress arises from "economies in manufacture or use," such as being "relatively simple or inexpensive to manufacture." *Disc Golf*, 158 F.3d at 1009.

Apple contends that "[t]he iPhone design did not result from a 'comparatively simple or inexpensive method of manufacture'" because Apple experienced manufacturing challenges. Appellee's Br. 61 (quoting *Talking Rain*, 349 F.3d at 603). Apple's manufacturing challenges, however, resulted from the durability considerations for the iPhone and not from the design of the unregistered trade dress. According to Apple's witnesses, difficulties resulted from its choices of materials in using "hardened steel"; "very high, high grade of steel"; and, "glass that was not breakable enough, scratch resistant enough." *Id.* (quoting J.A. 40495-96, 41097). These materials were chosen, for example, for the iPhone to survive a drop:

> If you drop this, you don't have to worry about the ground hitting the glass. You have to worry about the band of steel surrounding the glass hitting the glass. . . . In order to, to make it work, we had to use very high, high grade of steel because we couldn't have it sort of deflecting into the glass.

J.A. 40495-96. The durability advantages that resulted from the manufacturing challenges, however, are outside the scope of what Apple defines as its unregistered trade dress. For the design elements that comprise Apple's unregistered trade dress, Apple points to no evidence in the record to show they were not relatively simple or inexpensive to manufacture. *See Disc Golf*, 158 F.3d at 1009 ("[Plaintiff], which has the burden of proof, offered no evidence that the [asserted] design was not relatively simple or inexpensive to manufacture.").

In sum, Apple has failed to show that there was substantial evidence in the record to support a jury finding in favor of non-functionality for the unregistered trade dress on any of the *Disc Golf* factors. Apple fails to rebut the evidence that the elements in the unregistered trade dress serve the functional purpose of improving usability. Rather, Apple focuses on the "beauty" of its design, even though Apple pursued both "beauty" and functionality in the design of the iPhone. We therefore reverse the district court's denial of Samsung's motion for judgment as a matter of law that the unregistered trade dress is functional and therefore not protectable.

B. The Registered '983 Trade Dress

In contrast to the unregistered trade dress, the '983 trade dress is a federally registered trademark. The federal trademark registration provides "prima facie evidence" of non-functionality. *Tie Tech*, 296 F.3d at 782-83. This presumption "shift[s] the burden of production to the defendant . . to provide evidence of functionality." *Id.* at 783. Once this presumption is overcome, the registration loses its legal significance on the issue of functionality. *Id.* ("In the face of sufficient and undisputed facts demonstrating functionality, . . the registration loses its evidentiary significance.").

The '983 trade dress claims the design details in each of the sixteen icons on the iPhone's home screen framed by the iPhone's rounded-rectangular shape with silver edges and a black background:

> The first icon depicts the letters "SMS" in green inside a white speech bubble on a green background;
>
> . . .
>
> the seventh icon depicts a map with yellow and orange roads, a pin with a red head, and a red-and-blue road sign with the numeral "280" in white;
>
> . . .
>
> the sixteenth icon depicts the distinctive configuration of applicant's media player device in white over an orange background.

'983 trade dress (omitting thirteen other icon design details for brevity).

It is clear that individual elements claimed by the '983 trade dress are functional. For example, there is no dispute that the claimed details such as "the seventh icon depicts a map with yellow and orange roads, a pin with a red head, and a red-and-blue road sign with the numeral '280' in white" are functional. *See id.* Apple's user interface expert testified on how icon designs promote usability. This expert agreed that "the whole point of an icon on a smartphone is to communicate to the consumer using that product, that if they hit that icon, certain functionality will occur on the phone." J.A. 41458-59. The expert further explained that icons are "[v]isual shorthand for something" and that "rectangular containers" for icons provide "more real estate"

to accommodate the icon design. J.A. 41459, 41476. Apple rebuts none of this evidence.

Apple contends instead that Samsung improperly disaggregates the '983 trade dress into individual elements to argue functionality. But Apple fails to explain how the total combination of the sixteen icon designs in the context of iPhone's screen-dominated rounded-rectangular shape—all part of the iPhone's "easy to use" design theme—somehow negates the undisputed usability function of the individual elements. *See* J.A. 40722-23. Apple's own brief even relies on its expert's testimony about the "instant recognizability due to highly intuitive icon usage" on "the home screen of the iPhone." J.A. 41484; Appellee's Br. 43, 70, 71 (quoting J.A. 41484). Apple's expert was discussing an analysis of the iPhone's overall combination of icon designs that allowed a user to recognize quickly particular applications to use. J.A. 41484, 25487. The iPhone's usability advantage from the combination of its icon designs shows that the '983 trade dress viewed as a whole "is nothing other than the assemblage of functional parts . . . ." *See Tie Tech*, 296 F.3d at 786 (quoting *Leatherman*, 199 F.3d at 1013). There is no "separate 'overall appearance' which is non-functional." *Id.* (quoting *Leatherman*, 199 F.3d at 1013). The undisputed facts thus demonstrate the functionality of the '983 trade dress. "In the face of sufficient and undisputed facts demonstrating functionality, as in our case, the registration loses its evidentiary significance." *See id.* at 783.

The burden thus shifts back to Apple. *See id.* But Apple offers no analysis of the icon designs claimed by the '983 trade dress. Rather, Apple argues generically for its two trade dresses without distinction under the *Disc Golf* factors. Among Apple's lengthy citations to the record, we can find only two pieces of information

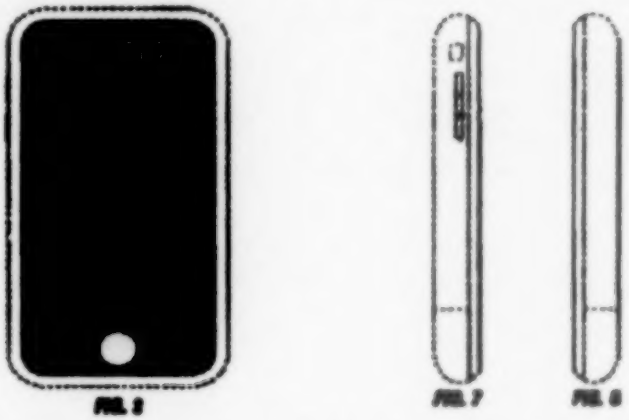
that involve icon designs. One is Apple's user interface expert discussing other possible icon designs. The other is a citation to a print iPhone advertisement that included the icon designs claimed in the '983 trade dress. These two citations, viewed in the most favorable light to Apple, would be relevant to only two of the *Disc Golf* factors: "alternative design" and "advertising." But the cited evidence suffers from the same defects as discussed in subsections I.A.2 and I.A.3. Specifically, the expert's discussion of other icon design possibilities does not show that the other design possibilities "offer[ed] *exactly* the same features" as the '983 trade dress. *See Tie Tech*, 296 F.3d at 786 (quoting *Leatherman*, 199 F.3d at 1013-14). The print iPhone advertisement also fails to establish that, on the substance, it was not touting the utilitarian advantage of the '983 trade dress. The evidence cited by Apple therefore does not show the non-functionality of the '983 trade dress.

In sum, the undisputed evidence shows the functionality of the registered '983 trade dress and shifts the burden of proving non-functionality back to Apple. Apple, however, has failed to show that there was substantial evidence in the record to support a jury finding in favor of non-functionality for the '983 trade dress on any of the *Disc Golf* factors. We therefore reverse the district court's denial of Samsung's motion for judgment as a matter of law that the '983 trade dress is functional and therefore not protectable.

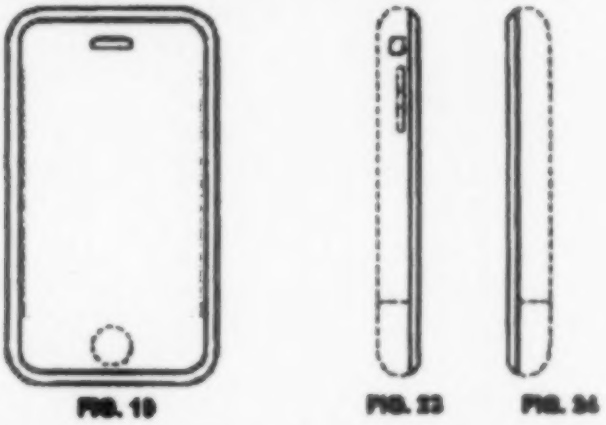
Because we conclude that the jury's findings of non-functionality of the asserted trade dresses were not supported by substantial evidence, we do not reach Samsung's arguments on the fame and likely dilution of the asserted trade dresses, the Patent Clause of the Constitution, or the dilution damages.

II. Design Patents

The design patents on appeal claim certain design elements embodied in the iPhone. The D'677 patent focuses on design elements on the front face of the iPhone:



The D'087 patent claims another set of design features that extend to the bezel of the iPhone:



The D'305 patent claims "the ornamental design for a graphical user interface for a display screen or portion thereof" as shown in the following drawing:

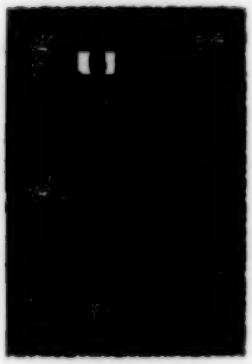


FIG. 1

Samsung contends that it should not have been found liable for infringement of the asserted design patents because any similarity was limited to the basic or functional elements in the design patents. Moreover, according to Samsung, there was no evidence of actual deception of consumers and that the differences between the accused smartphones and the asserted design patents should have been clear if prior art designs were properly considered. Samsung raises these three issues—functionality, actual deception, and comparison to prior art—in the context of the jury instructions and the sufficiency of evidence to support the infringement verdict. Finally, Samsung argues that the district court legally erred in allowing the jury to award as damages Samsung's entire profits on its infringing smartphones. We do not find any of these challenges persuasive as discussed below.

A. Infringement

1. Jury Instructions

a. Functional Aspects in the Asserted Design Patents

"Where a design contains both functional and non-functional elements, the scope of the claim must be construed in order to identify the non-functional

aspects of the design as shown in the patent." *OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1405 (Fed. Cir. 1997). Samsung contends that the district court erred in failing to exclude the functional aspects of the design patents either in the claim construction or elsewhere in the infringement jury instructions. Specifically, Samsung contends that the district court should have excluded elements that are "'dictated by their functional purpose,' or cover the 'structural . . aspects of the article.'" Appellants' Br. 23 (quoting *Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1294 (Fed. Cir. 2010); *Lee v. Dayton-Hudson Corp.*, 838 F.2d 1186, 1188 (Fed. Cir. 1988)) (alteration in original) (citation omitted). Such elements, according to Samsung, should be "ignored" in their entirety from the design patent claim scope. *Id.* at 29. For example, Samsung contends that rectangular form and rounded corners are among such elements that should be ignored in the infringement analysis. *See, e.g., id.*

Our case law does not support Samsung's position. In *Richardson*, the design patent at issue depicted a multifunction tool with numerous components that were "dictated by their functional purpose." 597 F.3d at 1294. But the claim construction in *Richardson* did not exclude those components in their entirety. Rather, the claim construction included the ornamental aspects of those components: "the standard shape of the hammer-head, the diamond-shaped flare of the crow-bar and the top of the jaw, the rounded neck, the orientation of the crow-bar relative to the head of the tool, and the plain, undecorated handle." *Richardson v. Stanley Works, Inc.*, 610 F. Supp. 2d 1046, 1050 (D. Ariz. 2009). That construction was affirmed on appeal. *Richardson*, 597 F.3d at 1294. As such, the language "dictated by their functional purpose" in *Richardson* was only a description of the facts there; it did not

establish a rule to eliminate entire elements from the claim scope as Samsung argues.

Our case law likewise does not support Samsung's proposed rule of eliminating any "structural" aspect from the claim scope. Samsung arrives at its proposed rule by selecting a few words from the following statement in *Lee*: "[d]esign patents do not and cannot include claims to the structural or functional aspects of the article . . . ." 838 F.2d at 1188. But that statement addressed design patent validity. *See id.* (quoting 37 C.F.R. § 1.153(a) on a design patent application requirement). It did not specify a rule, as Samsung represents, to eliminate elements from the claim scope of a valid patent in analyzing infringement.

More directly applicable to the claim scope issue at hand, *Lee* stated elsewhere that "it is the non-functional, design aspects that are pertinent to determinations of infringement." *Id.* (footnote omitted). That principle was properly reflected in this case in the district court's construction of the design patents as claiming only "the ornamental design" as shown in the patent figures. J.A. 01390-91. Samsung has not persuasively shown how the district court's claim constructions were legally erroneous under *Lee* or *Richardson*. *See Richardson*, 597 F.3d at 1295 (noting that "discounting of functional elements must not convert the overall infringement test to an element-by-element comparison").

Samsung asserted alternatively during oral argument that the jury should have been instructed to compare the accused Samsung smartphones to the "overall *ornamental* appearance" of a patented design, instead of simply "the overall appearance" as the district court provided. Oral Arg. 4:06–4:25, 5:54–6:10. According to Samsung, "crucially, what's missing there is the word 'ornamental.'" *Id.* at 4:25–4:28. But jury instructions

are reviewed "as a whole" to determine whether "the substance of the applicable law was [not] fairly and correctly covered" such that the alleged error was prejudicial. *See Gantt*, 717 F.3d at 706 (quoting *Swinton*, 270 F.3d at 802) (alteration in original). The jury instructions, as a whole, already limited the scope of the asserted design patents to the "ornamental" elements through the claim constructions as discussed earlier: the design patents were each construed as claiming "the ornamental design" as shown in the patent figures. J.A. 01390-91. As such, Samsung has failed to show prejudicial error in the jury instructions as a whole that would warrant a new trial.

b. Actual Deception and Role of Prior Art

Samsung further contends that the infringement instruction was erroneous for stating that actual deception was not required, and for providing guidelines in considering prior art. A design patent is infringed if an ordinary observer would have been deceived: "if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other." *Gorham Co. v. White*, 81 U.S. 511, 528 (1872). Moreover, an infringement analysis must include a comparison of the asserted design against the prior art: "[i]f the accused design has copied a particular feature of the claimed design that departs conspicuously from the prior art, the accused design is naturally more likely to be regarded as deceptively similar to the claimed design, and thus infringing." *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 678 (Fed. Cir. 2008) (en banc).

These holdings from *Gorham* and *Egyptian Goddess* were reflected in the infringement instruction here, and Samsung does not contend otherwise. Samsung argues instead that the portions in the infringement instruction highlighted below made the jury consider a lack of actual deception irrelevant and led the jury to disregard the prior art:

> Two designs are substantially the same if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, the resemblance between the two designs is such as to deceive such an observer, inducing him to purchase one supposing it to be the other. *You do not need, however, to find that any purchasers actually were deceived or confused by the appearance of the accused Samsung products.* . .
>
> This determination of whether two designs are substantially the same will benefit from comparing the two designs with prior art. You must familiarize yourself with the prior art admitted at trial in making your determination of whether there has been direct infringement.
>
> You may find the *following guidelines helpful to your analysis* . . .

J.A. 1394 (emphases added).

We conclude instead that the jury instruction simply clarified that actual deception was not required, which is an accurate reflection of the analysis in *Gorham*. *See* 81 U.S. at 530 (crediting expert opinions "that ordinary purchasers would be likely to mistake the [accused] designs for the [patented design]").

We also conclude that the jury instruction expressly required that each juror "must" consider the prior art admitted at trial. J.A. 1394 ("You must familiarize yourself with the prior art admitted at trial in making your determination of whether there has been direct infringement."). The jury instruction's guidelines did not reduce the entire prior art analysis to a mere option as Samsung contends.

Samsung again has failed to show that "when, looking to the instructions as a whole, the substance of the applicable law was [not] fairly and correctly covered." *See Gantt*, 717 F.3d at 706 (quoting *Swinton*, 270 F.3d at 802) (alteration in original).

2. Supporting Evidence

Samsung contends that the infringement verdict was not supported by substantial evidence. Samsung's contentions, however, are premised on the same issues—functionality, actual deception, and comparison to prior art—it raises in the context of the jury instructions. *See, e.g.*, Appellants' Br. 27 ("The uncontroverted evidence at trial showed the claimed features in Apple's design patents to be overwhelmingly not ornamental, but structural or functional.").

Having rejected the jury instruction challenges, we likewise find Samsung's parallel substantial evidence complaints unpersuasive. Apple's witnesses provided sufficient testimonies to allow the jury to account for any functional aspects in the asserted design patents. Additionally, the witnesses testified on the similar overall visual impressions of the accused products to the asserted design patents such that an ordinary observer would likely be deceived. Apple's experts also testified about the differences between the asserted patents and both the prior art and other competing

designs. The jury could have reasonably relied on the evidence in the record to reach its infringement verdict.

3. Preclusion of Evidence

Samsung also appeals the district court's preclusion of testimony on Samsung's independent development of its F700 phone that pre-dated the iPhone to rebut an allegation of copying. The evidence on the F700 was previously excluded as a prior art reference under a Rule 37 sanction due to Samsung's failure to timely disclose the evidence during discovery, which Samsung does not challenge.

The district court found that Samsung's witness did not design any of the accused devices and was unaware that any of the accused devices was based on the F700. The district court thus determined that the proffered testimony of Samsung's witness would have limited probative value on the question of whether Samsung copied any of Apple's design patents because she lacked first-hand knowledge relevant to the underlying issue. As a result, the district court concluded that the limited probative value of the testimony was outweighed by the likelihood that it would be considered by the jury for the prohibited purpose under the earlier Rule 37 sanction. We find that the district court acted within its discretion in precluding Samsung's proffered testimony to rebut an allegation of copying.

We conclude that there was no prejudicial legal error in the infringement jury instructions on the three issues that Samsung raises: functionality, actual deception, and comparison to prior art. We further conclude that the district court did not abuse its discretion in excluding Samsung's evidence of independent development and that there was substantial evidence to support the jury's infringement findings. We therefore affirm the

district court's denial of Samsung's motion for judgment as a matter of law on design patent infringement and Samsung's alternative motion for a new trial.

B. Damages

Finally, with regard to the design patents, Samsung argues that the district court legally erred in allowing the jury to award Samsung's entire profits on its infringing smartphones as damages. The damages, according to Samsung, should have been limited to the profit attributable to the infringement because of "basic causation principles . . . ." Appellants' Br. 36-37 Samsung contends that "Apple failed to establish that infringement of its limited design patents . . caused *any* Samsung sales or profits." *Id.* at 40. Samsung further contends that consumers chose Samsung based on a host of other factors. *Id.*

These "causation" arguments, however, advocate the same "apportionment" requirement that Congress rejected. *See Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (Fed. Cir. 1998). "Apportionment . . required [the patentee] to show what portion of the infringer's profit, or of his own lost profit, was due to the design and what portion was due to the article itself. . . The Act of 1887, specific to design patents, removed the apportionment requirement . . . ." *Id.* The provisions in the Act of 1887 on design patent infringement damages were subsequently codified in Section 289 of Title 35. *Id.* at 1440-43 (containing a detailed and thorough discussion of the legislative history that need not be repeated here).

Section 289 now provides:

> Whoever during the term of a patent for a design, without license of the owner, (1) applies

> the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied *shall be liable to the owner to the extent of his total profit*, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. § 289 (emphasis added). In reciting that an infringer "shall be liable to the owner to the extent of [the infringer's] total profit," Section 289 explicitly authorizes the award of total profit from the article of manufacture bearing the patented design.[1] Several other courts also concluded that Section 289 authorizes such award of total profit. *See Schnadig Corp. v. Gaines Mfg. Co.*, 620 F.2d 1166, 1171 (6th Cir. 1980); *Henry Hanger & Display Fixture Corp. of Am. v. Sel-O-Rak Corp.*, 270 F.2d 635, 643-44 (5th Cir. 1959); *Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476, 495 (D. Minn. 1980). The clear statutory language prevents us from adopting a "causation" rule as Samsung urges.

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[1] Amici 27 Law Professors argues that an award of a defendant's entire profits for design patent infringement makes no sense in the modern world. Those are policy arguments that should be directed to Congress. We are bound by what the statute says, irrespective of policy arguments that may be made against it.

Samsung continues its quest for apportionment by arguing, alternatively, that the profits awarded should have been limited to the infringing "article of manufacture," not the entire infringing product. Samsung argues for limiting the profits awarded to "the portion of the product as sold that incorporates or embodies the subject matter of the patent." Appellants' Br. 38. Samsung contends that the Second Circuit had "allowed an award of infringer's profits from the patented design of a *piano case* but *not* from the sale of *the entire piano* . . . ." *Id.* These Second Circuit opinions, however, addressed a factual situation where "[a] purchaser desiring a piano of a particular manufacturer may have the piano placed in any one of several cases dealt in by the maker." *Bush & Lane Piano Co. v. Becker Bros.*, 222 F. 902, 903 (2d Cir. 1915). That factual situation occurred in the context of the commercial practice in 1915 in which ordinary purchasers regarded a piano and a piano case as distinct articles of manufacture. The facts at hand are different. The innards of Samsung's smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers. We thus do not agree with Samsung that these Second Circuit cases required the district court to limit the damages for design patent infringement in this case.

We agree with the district court that there was no legal error in the jury instruction on the design patent damages. Samsung does not argue a lack of substantial evidence to support the damages awards under the district court's jury instruction. We therefore affirm the damages awarded for design patent infringements.

III. Utility Patents

Finally, Samsung challenges the validity of claim 50 of the '163 patent and claim 8 of the '915 patent. Samsung also challenges the damages awarded for utility patent infringement.

A. Validity

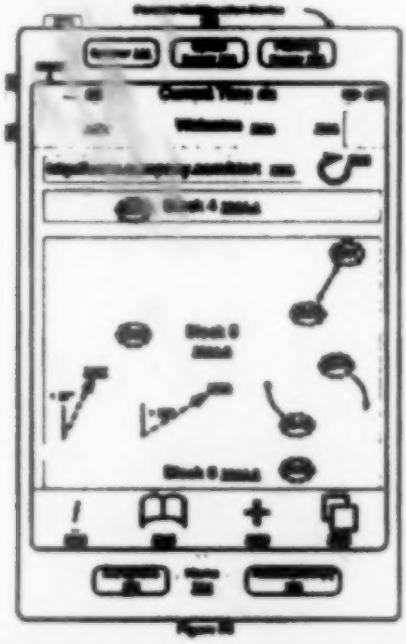
1. Indefiniteness of Claim 50 of the '163 Patent

Claim 50 of the '163 patent relates to a user interface feature in which a user's double tapping on a portion of an electronic document causes the portion to be enlarged and "substantially centered" on the display. '163 patent, claim 50. Samsung contends that claim 50 is indefinite because the '163 patent provides "no objective standard to measure the scope of the term 'substantially centered.'" Appellants' Br. 66.

Samsung's complaint about a lack of an "objective standard [of] measure" is seeking a level of precision that exceeds the definiteness required of valid patents. "The definiteness requirement . . mandates clarity, while recognizing that absolute precision is unattainable." *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014). Given this recognition, "a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention." *Id.* at 2124.

Samsung, however, points to no evidence showing that skilled artisans would find the element "substantially centered" as lacking reasonable certainty in its scope. In contrast, Apple's expert explained that the "padding" allowed in the '163 patent provides skilled artisans with enough information to understand what

"substantially centered" means in the patent. J.A. 41907-09. Apple's expert cites a discussion in the specification of an embodiment referring to the figure reproduced below where the enlarged portion of the document is essentially centered except for "a predefined amount of padding along the sides of the display." *See* '163 patent col. 17 ll. 26-30.



Apple thus presented evidence to show that skilled artisans would interpret "substantially centered" in the '163 patent to mean essentially centered except for a marginal spacing to accommodate ancillary graphical user interface elements. We are not persuaded by Samsung's attempt to discredit this expert testimony. We therefore agree with the district court that Samsung failed to carry its burden in challenging the validity of claim 50 of the '163 patent for indefiniteness.

2. Anticipation of Claim 8 of the '915 Patent

Claim 8 of the '915 patent describes a computer-based method for distinguishing between scrolling and gesture (such as zooming) operations on a touch screen. '915

patent, claim 8. The dispute centers on whether a prior art reference, the Nomura patent application, taught the "event object" element in claim 8. The claim recites "event object" in the context such as: "creating an event object in response to the user input; determining whether the event object invokes a scroll or gesture operation . . . ." *Id.* Samsung contends that the "movement history" in Nomura inherently disclosed the "event object" in claim 8 based on the opinion of its expert. Appellants' Br. 64-65.

Apple, however, rebuts with its own expert testimony. Apple's expert explained that "event objects" in claim 8 refers to a particular "programming construct[]" and that there were many potential programming alternatives that Nomura could have used to implement the "movement history" it disclosed. J.A. 43636-37. According to the explanation by Apple's expert, Nomura did not inherently disclose the claimed "event object." We find that a reasonable jury could have credited the testimony of Apple's expert over Samsung's expert. Thus, we agree with the district court that there was substantial evidence to support the jury's finding that claim 8 of the '915 patent was not anticipated.

B. Damages

Apple advanced at trial both lost profits and reasonable royalty damages theories. The jury determined that for certain Samsung phones found to infringe the '915 patent, no reasonable non-infringing alternative was available, and thus lost profits was an appropriate measure of damages. For the other Samsung phones found to infringe Apple's utility patents-in-suit, the jury determined that an award of lost profits was not supported, and thus awarded Apple a reasonable royalty for Samsung's infringement.

1. Lost Profits for Infringement of the '915 Patent

"To recover lost profits, the patent owner must show causation in fact, establishing that but for the infringement, he would have made additional profits." *Grain Processing Corp. v. Am. Maize-Prods.*, 185 F.3d 1341, 1349 (Fed. Cir. 1999). The patentee must "take[] into account any alternatives available to the infringer." *Id.* at 1351. "[M]arket sales of an acceptable noninfringing substitute often suffice alone to defeat a case for lost profits." *Id.* at 1352.

Samsung argues that lost profits should not have been awarded because the evidence showed the existence of non-infringing substitutes. Specifically, Samsung contends that two Samsung phones, found to have not infringed the '915 patent, should have been considered by the jury as non-infringing substitutes. Samsung further asserts that Apple failed to prove consumer preference of the '915 patent's technology over a purportedly comparable feature available in the two non-infringing Samsung phones.

However, "the '[m]ere existence of a competing device does not make that device an acceptable substitute.'" *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 702 F.3d 1351, 1361 (Fed. Cir. 2012) (quoting *TWM Mfg. Co. v. Dura Corp.*, 789 F.2d 895, 901 (Fed. Cir. 1986)) (alteration in original). The mere existence of non-infringing phones is all Samsung is relying on to attack the jury's verdict. For example, Samsung points to no evidence to support its assertion that the two non-infringing phones included a feature comparable to the one claimed in the '915 patent.

In contrast, there was substantial evidence to support the jury's refusal to consider the two phones asserted by Samsung as non-infringing substitutes. Of these

two phones, one had significantly different features, such as a slide-out physical keyboard in combination with a small, low-resolution screen. *See Kaufman Co. v. Lantech, Inc.*, 926 F.2d 1136, 1142 (Fed. Cir. 1991) ("To be deemed *acceptable,* the alleged acceptable noninfringing substitute must not have a disparately higher price than or possess characteristics significantly different from the patented product."). And the other phone was never sold by a U.S. carrier. *See Grain Processing*, 185 F.3d at 1349 ("[T]o be an acceptable non-infringing substitute, the product or process must have been available or on the market at the time of infringement."). The jury could have reasonably found that these two Samsung phones were not acceptable alternatives. Samsung's unsupported assertion to the contrary fails to show a lack of substantial evidence supporting the awards of lost profits.

2. Reasonable Royalty

Samsung argues that Apple's expert in the damages retrial, Ms. Davis, offered only a cursory explanation of how she arrived at the royalty rates she calculated based on the *Georgia-Pacific* factors. Samsung complains specifically about Ms. Davis's testimony that the evidence of demand from her lost profits analysis was "also relevant to the determination of the amount of reasonable royalties." Appellants' Br. 72.

Samsung does not dispute that Ms. Davis sufficiently explained her analysis of demand in the lost profit context. Samsung is only challenging that she did not repeat the same information with all of the details in testifying about her reasonable royalty calculation. However, Ms. Davis expressly testified that the demand factor for lost profits was also relevant to the determination of a reasonable royalty. J.A. 50651-52 ("Q. Is

this issue of demand relevant to any category of damages other than lost profits? A. Yes. It's relevant to the determination of the amount of reasonable royalties."). A reasonable jury could refer to Ms. Davis's testimony from an earlier context and appropriately weigh the evidence in considering Ms. Davis's calculation on the royalty rates. Moreover, Ms. Davis's testimony included additional substance on the *Georgia-Pacific* factors. For example, Ms. Davis expressly considered the cost to Samsung of being out of the market long enough to design around the patents, the profits attributable to Samsung's use of the patented technology, and the commercial relationship between the parties. Taken as a whole, Ms. Davis's testimony provided sufficient evidence to support the jury's reasonable royalty awards in the damages retrial.

Finally, Samsung complained that Apple's expert in the first damages trial, Mr. Musika, failed to explain his *Georgia-Pacific* analysis and identified no evidence supporting his royalty rates. Upon Apple's response, Samsung acknowledges that Mr. Musika did in fact identify and discuss specific *Georgia-Pacific* factors and that Mr. Musika referred to an exhibit during his testimony. Samsung now contends that the analysis was not meaningful and the cited exhibit did not discuss the *Georgia-Pacific*'s factors at all. Samsung's fault-finding is meritless.

We therefore affirm the district court's denial of Samsung's motion for judgment as a matter of law on the invalidity of claim 50 of the '163 patent and claim 8 of the '915 patent, as well as the damages awarded for utility patent infringement. We also affirm the district court's denial of Samsung's motions for a new trial on these same issues. We remand for immediate entry of final judgment on all damages awards not predicated

on Apple's trade dress claims and for any further proceedings necessitated by our decision to vacate the jury's verdicts on the unregistered and registered trade dress claims.

AFFIRMED-IN-PART, REVERSED-IN-PART, VACATED-IN-PART and REMANDED

COSTS

Each party shall bear its own costs.

APPENDIX B

2012 WL 3071477

UNITED STATES DISTRICT COURT,
N.D. CALIFORNIA,
SAN JOSE DIVISION

Case No. 11–CV–01846–LHK

APPLE, INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean corporation; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

July 27, 2012

ORDER REGARDING DESIGN PATENT CLAIM CONSTRUCTION

LUCY H. KOH, District Judge.

Samsung has asked the Court to construe Apple's Design Patent No. D618,677 ("the D'677 Patent"), D593,087 ("the D'087 Patent"), D504,889 ("the D'889 Patent"), and D604,305 ("the D'305 Patent") prior to the July 30, 2012 trial. The parties filed opening

briefs on the design patent claim construction on June 12, 2012. Response briefs were filed on June 26, 2012. A hearing was held on July 24, 2012.

The parties' approaches to design patent claim construction can be summarized as follows. Samsung asks the Court to provide a detailed written description of the scope of each of the design patents-in-suit. Samsung's position is that a design patent claim construction is analogous to utility patent claim construction. In contrast, Apple would have the Court provide minimal instructions to the jury, and allow the drawings in the design patents to speak for themselves.

The Court has reviewed the briefs and the relevant case law and concludes that Apple's position is supported by the Federal Circuit's approach to design patents. In contrast, Samsung's position invites the jury to commit error by viewing the designs element-by-element, instead of by the overall visual impression. In Part I, the Court reviews the Federal Circuit precedent regarding design patent claim constructions. In Part II, although the Court declines to follow Samsung's proposal of providing a detailed written claim construction of each patent, the Court provides guidance regarding the scope of each specific design patent-in-suit with respect to the drafting conventions and prosecution histories of each of the design patents. Additionally, the Court defers ruling on any limitations to the scope of the design patent that may arise from functional elements. The Court will provide a supplemental claim construction at the close of evidence addressing any potential functional limitations to the scope of the design patents-in-suit.

I. Design Patent Claim Construction

A patent may be obtained for the ornamental design of an article of manufacture: "Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title." 35 U.S.C. § 171 (2006). The Federal Circuit, relying on Supreme Court precedent, has established the familiar "ordinary observer" test for design patent infringement. Under the ordinary observer test, an accused device infringes upon a design patent if "'in the eye of an ordinary observer, giving such attention as a purchaser usually gives,'" the design of the accused device and the patented design are "'substantially the same.'" The designs are "'substantially the same, if the resemblance [between the accused device's design and the patented design] is such as to deceive [an ordinary] observer, inducing him to purchase one supposing it to be the other.'" *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 670 (Fed.Cir.2008) (quoting *Gorham Co. v. White*, 14 Wall. 511, 81 U.S. 511, 528, 20 L.Ed. 731 (1871)). In applying the ordinary observer test, the focus should be on "the overall design" of the patent. *See Int'l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1239–41 (Fed. Cir.2009).

As an initial matter, the Federal Circuit has noted that a trial court is not to approach a design patent claim construction in the same manner as a utility patent claim construction. *See Egyptian Goddess*, 543 F.3d at 680 ("[A]s a general matter, [trial] courts should not treat the process of claim construction as requiring a detailed verbal description of the claimed design, as would typically be true in the case of utility patents."). Indeed, the Federal Circuit has not "prescribed any particular form that the [design

patent] claim construction must take," but rather has left the design patent claim construction process up to the discretion of the trial court. *Id.* at 679–80.

The Federal Circuit has cautioned against attempts to "construe" design patent claims by providing a detailed verbal description of the claimed design. *Egyptian Goddess,* 543 F.3d at 679. Indeed, the Federal Circuit has approved of a district court's construction of the asserted design patent claim as meaning "a tray of a certain design ... as shown in Figures 1–3," and has reversed an infringement determination based on a written claim construction that impermissibly focused on particular features of the design patent-in-suit. *Contessa Food Prods., Inc. v. Conagra,* 282 F.3d 1377, 1377 (Fed.Cir.2002), *abrogated on other grounds by Egyptian Goddess,* 543 F.3d 665; *Crocs, Inc. v. Int'l Trade Comm'n,* 598 F.3d 1294, 1303–04 (Fed.Cir.2010) (finding that the "Commission placed undue emphasis on particular details of its written description of the patented design" and that "the concentration on small differences in isolation distracted from the overall impression of the claimed ornamental features").

There are sound reasons for this approach. For one, "a design is better represented by an illustration than it could be by any description." *Egyptian Goddess,* 543 F.3d at 679 (citing *Dobson v. Dornan,* 118 U.S. 10, 14, 6 S.Ct. 946, 30 L.Ed. 63 (1886)) (internal quotation marks omitted); *see also 180s, Inc. v. Gordini U.S.A., Inc.,* 699 F.Supp.2d 714, 728–29 (D.Md.2010) (declining to issue a detailed verbal description construing design patent claims because the "illustrative figures speak for themselves"). Additionally, there are risks "entailed in such a [detailed verbal] description, such as the risk of placing undue emphasis on particular features of the design and the risk that a finder of fact

will focus on each individual described feature in the verbal description rather than on the design as a whole." *Egyptian Goddess*, 543 F.3d at 680.

In light of this discussion, this Court is generally persuaded that the ordinary observer test must be applied based upon the overall visual impression of the claimed designs and will avoid a detailed written claim construction describing various elements of the claimed designs. Therefore, the Court declines to adopt the detailed verbal claim constructions offered by Samsung. *See, e.g.*, Samsung's Opening Claim Construction Br. at 8, 12, 15.

Finally, two additional arguments in support of adopting a narrow claim construction for the design patents-in-suit asserted by Samsung are worth addressing. First, Samsung argues that the prior art limits the scope of each of the design patents-in-suit. Second, Samsung argues that Apple's subsequent design patents, issued after the asserted design patents here, also limit the scope of the patents-in-suit.

As to Samsung's first argument, the limitation in scope of a design patent in light of prior art is necessarily folded into the infringement analysis. As explained in *Egyptian Goddess:* "Particularly in close cases, it can be difficult to answer the [infringement] question ... without being given a frame of reference. The context in which the claimed and accused designs are compared, i.e., the background prior art, provides such a frame of reference and is therefore often useful in the process of comparison." 543 F.3d at 676–77. In other words, the infringement analysis necessarily involves a three-way (or multiple-way) comparison between the patent-in-suit, the accused device, and the prior art references. "Where the frame of reference

consists of numerous similar prior art designs, those designs can highlight the distinctions between the claimed design and the accused design as viewed by the ordinary observer." *Id.* at 677. Samsung's argument here is essentially an attempt to encourage the Court to adopt its position on infringement. The Court cannot do this without invading the province of the jury to determine infringement under the "ordinary observer" test. *See id.* ("An ordinary observer, comparing the claimed and accused designs in light of the prior art, will attach importance to differences between the claimed design and the prior art depending on the overall effect of those differences on the design.").

Second, Samsung urges the Court to narrow the scope of the patents-in-suit in light of Apple's subsequent design patent applications. Claim construction is to be viewed "at the time of the invention, i.e., as of the effective filing date of the patent application." *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir.2005). Samsung has offered no authority, and the Court is not aware of any authority, for limiting the claim scope of a design patent based on subsequent patent applications. Indeed, if anything, the Federal Circuit has cautioned against relying upon evidence in subsequently filed patents in claim construction proceedings. *Cf. Water Tech. Corp. v. Calco*, Ltd., 850 F.2d 660, 667 (Fed.Cir.1988) ("We must construe claims in the light of the claim language, the other claims, the prior art, the prosecution history, and the specification. We see no reason why arguments made by a different attorney prosecuting later patent applications for a different inventor should be used to limit an earlier-issued patent.") (emphasis omitted) (internal quotation marks and citation omitted); *Keystone Retaining Wall Systems Inc. v. Rockwood Retaining Wall Inc.*, No. 00–496, 2001 WL 36102284, at *4–5 (D.Minn. Oct.9,

2001). Accordingly, the Court is not persuaded by Samsung's attempts to limit the scope of the design patents-in-suit by a detailed verbal claim construction that relies on subsequent patent applications or prosecution histories of later filed patents.

II. "Construction" of the Patents–In–Suit

Although detailed verbal claim constructions are disfavored in design patents, the Federal Circuit has explained that the trial court can nonetheless provide useful guidance to the jury regarding the scope of the claimed design:

> Apart from attempting to provide a verbal description of the design, a trial court can usefully guide the finder of fact by addressing a number of other issues that bear on the scope of the claim. Those include such matters as describing the role of particular conventions in design patent drafting, such as the role of broken lines, *see* 37 C.F.R. § 1.152; assessing and describing the effect of any representations that may have been made in the course of the prosecution history, *see Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co., Inc.*, 162 F.3d 1113, 1116 (Fed.Cir.1998); and distinguishing between those features of the claimed design that are ornamental and those that are purely functional, *see OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1405 (Fed.Cir.1997) ("Where a design contains both functional and nonfunctional elements, the scope of the claim must be construed in order to identify the non-functional aspects of the design as shown in the patent.").

Egyptian Goddess, 543 F.3d at 680. Therefore, the Court will consider each of the design patents-in-suit to determine whether additional construction of the scope of the patent is necessary and will be useful to the jury.

A. The D'087 Patent

In design patents, the patentee need not claim an entire article of manufacture. *See In re Zahn*, 617 F.2d 261, 268–69 (C.C.P.A.1980). The patentee may indicate the claimed part of the design with the use of solid lines and may indicate the unclaimed, remaining article of manufacture with the use of broken lines. *Contessa Food Prods.*, 282 F.3d at 1378 ("If features appearing in the figures are not desired to be claimed, the patentee is permitted to show the features in broken lines to exclude those features from the claimed design, and the failure to do so signals inclusion of the features in the claimed design." (citing *Door–Master Corp. v. Yorktowne, Inc.*, 256 F.3d 1308, 1313 (Fed.Cir.2001))); *see also* Manual of Patent Examining Procedure ("MPEP") 1503.02 (2006) ("Unclaimed subject matter may be shown in broken lines for the purpose of illustrating the environment in which the article embodying the design is used.").

The D'087 Patent specifically disclaims the subject matter shown by the use of broken lines. *See* D'087 Patent ("None of the broken lines form a part of the claimed design."). Additionally, the Federal Circuit explained that the D'087 Patent claims a "bezel encircling the front face of the patented design [that] extends from the front of the phone to its sides" and a flat contour of the front face, but does not claim the rest of the article of manufacture. *Apple, Inc. v. Samsung Elecs. Co., Ltd.*, 678 F.3d 1314, 1325 (Fed.Cir.2012). Without an instruction regarding this

claim scope, the jury may mistakenly apply the "ordinary observer" test to the entire article of manufacture disclosed in the patent. Doing so would be error. Accordingly, the jury will be instructed that the use of broken lines in the D'087 Patent shows unclaimed subject matter.

Samsung raises two claim scope issues with respect to the D'087 Patent. First, Samsung argues that the lack of oblique line shading in the D'087 necessarily means that "the front surface of D'087 must be construed as opaque and non-transparent." Samsung Opp'n Br. at 10. Additionally, Samsung argues that the lozenge-shaped feature near the top is not an opening or hole in the surface, but instead a two-dimensional feature on the front surface, because design patent drafting requires that surface shading be used to distinguish between any open and solid areas. Samsung Opening Br. at 9.

The MPEP explains "[w]hile surface shading is not required under 37 CFR 1.152, it may be necessary in particular cases to shade the figures to show clearly the character and contour of all surfaces of any 3–dimensional aspects of the design. Surface shading is also necessary to distinguish between any open and solid areas of the article." MPEP § 1503.2(II). Proper shading "is of particular importance in the showing of three (3) dimensional articles where it is necessary to delineate plane, concave, convex, raised, and/or depressed surfaces of the subject matter, and to distinguish between open and closed areas." *Id.* at ¶ 15.49. "Oblique line shading must be used to show transparent, translucent and highly polished or reflective surfaces, such as a mirror." *Id.* at 1503.02(II).

Samsung claims that MPEP's use of mandatory language ("Oblique line shading *must* be used to show transparent ... surfaces[.]") is dispositive: if the patentee intended to claim a transparent surface as part of the D'087 Patent, it was *required* to use oblique lines to indicate as much. However, as Apple points out, the mandatory language does not necessarily mean that lack of oblique line shading disclaims a transparent, translucent, or reflective surface, nor does the lack of oblique line shading mean that the patentee only claimed an opaque surface. In general, when a patent fails to specify a limitation, the patentee is entitled to the broadest reasonable construction. *See In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1363 (Fed.Cir.2004). The language of the MPEP is consistent with this claim construction canon. Indeed, the relevant section of the MPEP only specifies that an inventor wishing to limit a particular surface to a transparent, translucent, or reflective material must indicate the surface through the use of oblique lines. It does not state that *failure* to include oblique lines necessarily excludes the use of a transparent surface. *See Transmatic, Inc. v. Gulton Indus., Inc.*, 601 F.2d 904, 912–13 (6th Cir.1979) (finding that a surface without oblique lines could be transparent, translucent, or opaque). Likewise, the Court is not convinced that the failure to include surface shading on the lozenge-shaped feature on the front face necessarily indicates a surface decoration. Instead, the Court agrees with Apple that "[w]hether open or closed" it will be for the jury to decide whether the accused device's "lozenge-shaped element would appear as it does in the figures." Apple's Response at 7. Therefore, the Court will not include an additional limitation in the claim scope that the patentee has only claimed an opaque surface, or

that the lozenge-shaped element is only a surface decoration.

Accordingly, the Court will provide the jury with the following instruction with respect to the D'087 Patent: "The D'087 Patent claims the ornamental design of an electronic device as shown in Figures 1–46. The broken lines in the D'087 Patent constitute unclaimed subject matter. Thus, the D'087 Patent claims the front face, a 'bezel encircling the front face of the patented design [that] extends from the front of the phone to its sides,' and a flat contour of the front face, but does not claim the rest of the article of manufacture."

B. The D'677 Patent

The D'677 Patent, unlike the D'087 Patent, does not contain a broken line disclaimer disclaiming the subject matter delineated by the use of broken lines. The MPEP requires that unclaimed subject matter be described as forming no part of the claimed design. MPEP 1503.02(III) ("Unclaimed subject matter must be described as forming no part of the claimed design or of a specified embodiment thereof."). Thus, unlike the D'087 Patent, the broken lines in the D'677 Patent may not indicate unclaimed aspects of the article of manufacture. *See Unique Indus., Inc. v. 965207 Alberta Ltd.*, 722 F.Supp.2d 1, 10 n. 2 (D.D.C.2009) (noting that broken lines may be considered part of the claimed design, "if it is not clear that the inventor intended to exclude those portions from the claim").

In this case, however, the broken lines used in the D'677 Patent indicate unclaimed aspects of the design, despite the lack of a broken line disclaimer. Unlike other cases in which a court has found that broken lines indicate something other than an unclaimed aspect of

the design, there is no reasonable alternative interpretation of the broken lines in this patent. *Cf. 180s, Inc.*, 699 F.Supp.2d at 729 (alternative explanation for the broken lines was more plausible); *Bernardo Footwear, L.L. C. v. Fortune Dynamics, Inc.*, No. 07–CV–0963, 2007 WL 4561476, at * 1 (S.D.Tex. Dec. 24, 2007) (interpreting the use of broken lines in a patent). Moreover, the prosecution history of the D'677 Patent establishes that the broken lines were intended to be disclaimed. The patent application contained a broken line disclaimer, which remained through the final amendment. *See* Mazza Decl. Ex. 6 at APLNDC00030455, APLNDC00030641. Thus, it seems likely that the absence of a broken line disclaimer in the D'677 Patent that was issued was inadvertent. Because the prosecution history supports the broken line disclaimer, the public notice function regarding the meaning of the broken lines in the D'677 is served. Thus, the D'677 Patent disclaims all subject matter but the front surface. *See, e.g., In re Zahn*, 617 F.2d at 263 (drill bit drawn in broken lines to show environment for claimed design of the drill shank); *Atlanta Motoring Accessories, Inc., v. Saratoga Techs., Inc.*, 33 F.3d 1362, 1365 (Fed. Cir.1994) (automobile hardtop outlined in broken lines to show environment of rack device); *Goodyear Tire*, 162 F.3d at 1114 (broken lines used to show tire sidewall, which formed no part of the design claimed).

In addition, the D'677 includes solid black surface shading and oblique line shading. The MPEP guidelines will be useful for the jury to understand the meaning of these conventions. The MPEP states that "solid black surface shading ... [is] used to represent the color black" and "[o]blique line shading must be used to show transparent, translucent and highly polished or reflective surfaces." MPEP 1503.02(II). Thus, the use of oblique line shading and solid black surface shading

in the D'677 Patent indicate that the patentee claimed a black surface that is also transparent, translucent, highly polished, or reflective.

Accordingly, the Court will provide the jury with the following instruction with respect to the D'677 Patent: "The D'677 Patent claims the ornamental design of an electronic device as shown in Figures 1–6. The broken lines in the D'677 Patent constitute unclaimed subject matter. The use of "solid black surface shading" on the D'677 Patent represents the color black. The use of oblique line shading on the D'677 Patent is used to show a transparent, translucent and highly polished or reflective surface.

C. The D'889 Patent

The MPEP requires that unclaimed subject matter be described as forming no part of the claimed design. MPEP 1503.02(III) ("Unclaimed subject matter must be described as forming no part of the claimed design or of a specified embodiment thereof."). There is some ambiguity in the D'889 patent regarding the meaning of the broken lines contained in figures 1, 3, and 9. The broken lines in figures 1 and 3 appear to delineate the inset screen below the surface of the glasslike front cover. The broken lines in figure 9 delineate both the inset screen on the electronic device as well as the human figure holding the device. The D'889 Patent explicitly states that the broken lines in figure 9 form no part of the claimed design. The D'889 Patent is silent, however, regarding the use of the broken lines in the other figures. *See* D'889 Patent description.

The prosecution history sheds some light onto the meaning of the broken lines. Initially, the patentee did not include a broken line disclaimer for the broken lines appearing on the front surface of the device

in figures 1, 3, and 9. *See* Mazza Decl. Ex. 7 at APLNDC00032359. Originally, the human figure in figure 9 was depicted in solid lines. The Examiner required the patentee to amend the drawings to depict the human figure in figure 9 in broken lines, and to include a broken line disclaimer establishing that the broken lines in figure 9 form no part of the claimed design. *See* Mazza Decl. Ex. 7 at APLNDC00032434–36. Based on this prosecution history, it appears that the broken lines in figures 1 and 3 of the D'889 Patent are intended to show an inset screen below the glass-like surface, and are part of the claimed design, while the human figure in figure 9 does not form a part of the claimed design. *See also Unique Indus.*, 722 F.Supp.2d at 10 n. (noting that broken lines may be considered part of the claimed design, "if it is not clear that the inventor intended to exclude those portions from the claim"). *Bernardo Footwear*, No. 07–0963, 2007 WL 4561476, at *1 (interpreting the use of broken lines in a patent as part of the claimed design where the drafter failed to explain the significance of the broken lines).

The D'889 Patent also includes oblique line shading in several of the figures. As explained above, the MPEP guidelines state that "[o]blique line shading must be used to show transparent, translucent and highly polished or reflective surfaces." MPEP 1503.02(II). The patentee included oblique line shading in Figures 1–3 and Figure 9. Thus, the use of oblique line shading indicates that the top perspective view of the claimed design, the top view of the claimed design, and the bottom perspective view of the claimed design disclose a transparent, translucent and highly polished or reflective surface. Notably, the bottom view does

not disclose a transparent, translucent and highly polished or reflective surface. [1]

Accordingly, the Court will provide the jury with the following instruction with respect to the D'889 Patent: "The D'889 Patent claims the ornamental design of an electronic device as shown in Figures 1–9. The broken lines depicting the human figure in figure 9 do not form a part of the claimed design. The other broken lines in the other figures are part of the claimed design. The D'889 also includes oblique line shading on several of the figures. The oblique line shading in Figures 1–3 and Figure 9 depicts a transparent, translucent and highly polished or reflective surface from the top perspective view of the claimed design, the top view of the claimed design, and the bottom perspective view of the claimed design."

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[1] At the design patent claim construction hearing, Apple argued that the oblique line shading in figure 2 represents something other than a transparent, translucent, or highly polished surface. However, it is unclear from the drafting rules, the case law, or the prosecution history why the Court should adopt a different construction for the oblique line shading in figure 2 than the oblique line shading used in figures 1, 3 and 9. Unlike the aberrational dotted lines in the D'677 Patent and the D'889 Patent, where Apple has been able to point to prosecution history to clarify the meaning of the drafting choices, Apple has not pointed to comparable evidence, other than speculation, to support an alternative meaning to the oblique line shading used in figure 2 of the D'889 Patent. Indeed, the shading in figure 2 looks very similar to the shading used in figures 1 and 3 to depict a transparent, translucent, or reflective surface.

D. The D'305 Patent

1. Drafting Conventions

The MPEP requires that unclaimed subject matter be described as forming no part of the claimed design. MPEP 1503.02(III) ("Unclaimed subject matter must be described as forming no part of the claimed design or of a specified embodiment thereof."). The D'305 Patent states that: "The broken line showing of a display screen in both views forms no part of the claimed design." Accordingly, broken line disclaimer will be included in the Court's claim construction.

2. Prosecution History

Samsung also argues that the prosecution history of the D627,790 ("D'790 Patent") limits the scope of the D'305 Patent. The D'305 Patent was filed on June 23, 2007, and issued on November 17, 2009. The D'790 Patent was filed on August 20, 2007, and issued on November 23, 2010, and is a continuation-in-part of United States Patent No. D608,366, which itself is a continuation-in-part of the D'305 patent. Both the D'305 and the D'790 patents are entitled "Graphical user interface for a display screen or portion thereof."

During the prosecution of the D'790 patent, Apple distinguished the claimed design from a prior art reference (Wada) by stating:

> Figure 4 of Wada discloses a matrix of 17 squares provided in 4 columns. The first column has 5 squares, the second, third and fourth columns have 4 squares. In contrast, Applicant's design is a matrix of 16 squares, each with rounded corners, provided in 4 columns. Each column has 4 rounded squares. The first three rows of rounded

> squares in each column are equally spaced apart. The third and fourth rows of rounded squares in each column is separated by a space equal to about one rounded square, giving the impression of a "missing row" of rounded squares. Thus, the appearance of the claimed design in [sic] quite different from the cited reference.

Cashman Decl. Ex. 62, at APLPROS0000012230.

Samsung argues that the D'305 Patent, like the D'790 Patent, also discloses sixteen rounded squares giving the appearance of a missing row. According to Samsung, the statements made in the prosecution history of the D'790 Patent necessarily limit the scope of the D'305 Patent. Specifically, Samsung proposes that the D'305 patent be construed as having, inter alia, "four rows of four icons each, with an empty row between the third row and the dock row as shown in the figures."

In *Egyptian Goddess,* the Federal Circuit explained that a district court may guide the fact finder by addressing certain issues that bear on the scope of a design patent claim, including, inter alia, "the effect of any representations that may have been made during the prosecution history." 543 F.3d at 680 (citing *Goodyear Tire,* 162 F.3d at 1116). *Egyptian Goddess*'s description of the use of prosecution history in determining the scope of a design patent is consistent with the claim construction process for utility patents, which allows for statements made during prosecution to be considered as intrinsic evidence. *See, e.g. Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed.Cir.1996).

In general, the prosecution history considered during utility patent claim construction is that of the patent in issue, although the Federal Circuit has carved out a few exceptions to this rule. *See Water Tech. Corp.*, 850 F.2d 660; *Elkay Mfg. Co. v. Ebco Mfg. Co.*, 192 F.3d 973, 979–80 (Fed.Cir.1999); *Jonsson v. Stanley Works*, 903 F.2d 812, 818 (Fed.Cir.1990). In particular, the Federal Circuit has held that "[w]hen multiple patents derive from the same initial application, the prosecution history regarding a claim limitation in any patent that has issued applies with equal force to subsequently issued patents that contain the same claim limitation." *Elkay*, 192 F.3d at 980; *see also Jonsson*, 903 F.2d at 818–19. The Federal Circuit has since extended this logic to allow for the use of statements made during the prosecution of related, subsequently issued patents, provided the claim element at issue is the same in both patents. *Compare Goldberg v. Cytogen*, Inc., 373 F.3d 1158, 1167–68 (Fed.Cir.2004) (barring the use of a continuation-in-part patent to interpret a parent patent because the material cited in the subsequently issued patent dealt with new matter), *with Microsoft Corp. v. Multi–Tech Systems, Inc.*, 357 F.3d 1340, 1350 (Fed.Cir.2004) (interpreting a patent's claim terms based on statements made after that patent issued during the prosecution of a subsequently-issued sibling patent containing the same term), *and CVI/Beta Ventures, Inc. v. Tura LP*, 112 F.3d 1146 (Fed.Cir.1997) (construing a claim term in one patentat-issue based on representations made during the prosecution of a subsequently issued, but related, patent-at-issue that contained the same term).

The Court does not import the statements made in the prosecution history of the later filed D'790 Patent to limit the claim scope of the D'305 Patent. The

exceptions to the rule against consulting the prosecution history of non-asserted patents-in-suit described above have only been applied to utility patents where it is clear that the disputed claim term has the same meaning in both patents at issue. This requirement is well suited to an analysis of the specific, enumerated, written limitations of utility patents because it may be clear when the same claim term is at issue in both related patents. These rules are not necessarily applicable to design patents because there is no clear analog to the same claim term appearing in both related patents.

While a utility patent is analyzed claim term by claim term, a design patent is analyzed based on the design as a whole. *See Egyptian Goddess*, 543 F.3d at 680. Although the same feature may appear in two design patents, the design patents may not have the same overall visual impression. It would be improper to isolate a disclaimer based on a single feature of a design patent and apply it to limit the scope of a related design patent. This is because it is often not possible to determine whether the importance of the design element in the overall visual impression is the same in two related patents. The Court therefore rejects Samsung's construction of the D'305 patent and agrees with Apple that no additional verbal description of the D'305 should apply.

Accordingly, the Court will provide the jury with the following instruction with respect to the D'305 Patent: "The D'305 Patent claims the ornamental design for a graphical user interface for a display screen or portion thereof, as shown in Figures 1–2. The broken line showing of a display screen in both views forms no part of the claimed design."

IT IS SO ORDERED.

APPENDIX C

920 F.Supp.2d 1079

UNITED STATES DISTRICT COURT,
N.D. CALIFORNIA,
SAN JOSE DIVISION

Case No. 11–CV–01846–LHK

APPLE, INC., a California Corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean corporation; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

Jan. 29, 2013

Attorneys and Law Firms

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ORDER GRANTING IN PART AND DENYING IN PART MOTION FOR JUDGMENT AS A MATTER OF LAW

LUCY H. KOH, District Judge.

On August 24, 2012, after a thirteen day trial and approximately three full days of deliberation, a jury in this patent case reached a verdict. *See* ECF No. 1931. Samsung now seeks judgment as a matter of law to overturn certain of the jury's findings. In the alternative, Samsung moves for a new trial. *See* Samsung's Motion for Judgment as a Matter of Law, New Trial And/Or Remittitur Pursuant to Federal Rules of Civil Procedure 50 and 59 ("Mot."), ECF No. 2013. Apple filed an opposition ("Opp'n"), ECF No. 2050, and Samsung filed a Reply ("Reply"), ECF No. 2131. For the reasons discussed below, the Court GRANTS Samsung's motion for judgment as a matter of law that claims 15 and 16 of Samsung's U.S. Patent No. 7,447,516 ("the '516 Patent") are not exhausted. The Court also GRANTS judgment as a matter of law that Samsung's acts of patent infringement were not willful. However, for the reasons discussed below, the Court DENIES Samsung's motion for judgment as a

matter of law in all other respects, and DENIES Samsung's motion for a new trial.[1]

I. LEGAL STANDARD

Federal Rule of Civil Procedure 50 permits a district court to grant judgment as a matter of law "when the evidence permits only one reasonable conclusion and the conclusion is contrary to that reached by the jury." *Ostad v. Oregon Health Scis. Univ.*, 327 F.3d 876, 881 (9th Cir.2003). A party seeking judgment as a matter of law after a jury verdict must show that the verdict is not supported by "substantial evidence," meaning "relevant evidence that a reasonable mind would accept as adequate to support a conclusion." *Callicrate v. Wadsworth Mfg.*, 427 F.3d 1361, 1366 (Fed.Cir. 2005) (citing *Gillette v. Delmore*, 979 F.2d 1342, 1346 (9th Cir.1992)).

A new trial is appropriate under Rule 59 "only if the jury verdict is contrary to the clear weight of the evidence." *DSPT Int'l, Inc. v. Nahum*, 624 F.3d 1213, 1218 (9th Cir.2010). A court should grant a new trial where necessary "to prevent a miscarriage of justice." *Molski v. M.J. Cable, Inc.*, 481 F.3d 724, 729 (9th Cir.2007).

II. ANALYSIS

A. The Jury Reasonably Found Apple's Design Patents to be Valid and Infringed

1. Infringement

Samsung moves for judgment as a matter of law that Samsung's accused devices do not infringe U.S.

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[1] Samsung has also moved for remittitur or a new trial on damages. These claims will be addressed in a separate order.

Patent No. D593,087 ("the D'087 Patent"), U.S. Patent No. D618,677 ("the D'677 Patent"), and U.S. Patent No. D604,305 ("the D'305 Patent"). *See* Mot. at 4–7. In the alternative, Samsung moves for a new trial on infringement of Apple's design patents. *Id.*

Samsung argues that there is no evidence to support the jury's findings of design patent infringement. Samsung cites evidence that would have supported a jury finding of non-infringement. Specifically, Samsung points to evidence of similarities between Apple's design patents and the prior art that might limit the scope of the design patents, thus rendering Samsung's designs outside of the scope of Apple's patents. *See* Mot. at 5–7. However, other evidence in the record supports the jury's finding of infringement. Specifically, the jury was presented with the design patents, accused devices, and prior art, and was appropriately instructed on the "substantially the same" standard for infringement and the role of prior art in analyzing design patent infringement. *See* Final Jury Instruction No. 46. Furthermore, the jury heard expert testimony supporting the conclusion that Samsung devices infringed Apple's design patents. *See* Tr. 1049:6–1064:11 (Apple design expert Peter Bressler's testimony on substantial similarity between Samsung's accused phones and the D'087 and D'677 Patents); Tr. 1371:18–1381:23 (Apple design expert Dr. Susan Kare's testimony on substantial similarity between Samsung's accused phones and the D'305 Patent). The phones themselves, along with the expert testimony, constitute substantial evidence in the record to support the jury's finding of infringement. Given this evidence, the jury's conclusion of infringement was not against the clear weight of the evidence.

Samsung also argues that the Court inappropriately failed to instruct the jury to factor out functional design elements. As a preliminary matter, Samsung raised this objection during the briefing on the final jury instructions, and therefore this argument is not waived. *See* Reply at 6, n.7. However, a "filtering" instruction of the type Samsung requested is not required. The Federal Circuit has explained that a court may aid a jury in determining design patent infringement by construing the claims, *see Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 679–80 (Fed.Cir.2008) (en banc), and that claim construction may, but need not, include listing functional elements that should be factored out of the claimed design. *See Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1293–94 (Fed.Cir.2010) (construing a design patent by factoring out functional elements in the context of a bench trial). However, claim construction is a matter of law for the Court. The cases do not suggest that this type of claim construction is appropriate when instructing a jury. The cases engaging in such explicit filtering analysis generally do so in contexts in which a court then rules directly on infringement, such as summary judgment or a bench trial. *See, e.g., Richardson,* 597 F.3d 1288 (bench trial). Indeed, *Egyptian Goddess* warns of the risks of providing an element-by-element construction to a jury, as such instruction could divert the jury's attention from "the design as a whole." *Id.; see also* 543 F.3d at 680. Moreover, the Court determined in considering Samsung's request for a jury instruction that Samsung had not shown that the allegedly functional design elements were actually functional under the Federal Circuit's "dictated by function" standard, particularly in light of Apple's evidence that alternative designs existed. *See Richardson,* 597 F.3d at 1294 (applying the "dictated

by function" standard during design patent claim construction). *See also* PX163–168 (alternative designs created by Apple); PX10, PX148, PX150, PX2277, PX2278 (alternative designs created by third parties).

In sum, the Court appropriately instructed the jury, and there is substantial evidence in the record to support the jury's ultimate finding of infringement of the D'087, D'677, and D'305 Patents. Moreover, the jury's verdict was not against the clear weight of the evidence. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that none of Samsung's accused phones infringe Apple's design patents, and DENIES Samsung's motion in the alternative for a new trial.

2. Invalidity

Samsung also moves for judgment as a matter of law that Apple's D'087, D'677, and D'305, Patents, as well as U.S. Patent No. D504,889 ("the D'889 Patent") are invalid, or in the alternative for a new trial. *See* Mot. at 7–8. Samsung argues that no reasonable jury could have found Apple's design patents valid.

a. *Functionality*

First, Samsung argues that the patents are invalid because the patented designs are functional. It was Samsung's burden at trial to establish invalidity by clear and convincing evidence. Samsung points to expert testimony identifying some allegedly functional elements of the designs. However, invalidity requires not just some functional elements, but that the overall design is "primarily functional." *See PHG Techs. v. St. John Companies, Inc.*, 469 F.3d 1361, 1366 (Fed.Cir. 2006). A design is primarily functional if "the appearance of the claimed design is 'dictated by' the use or

purpose of the article." *Id.* (quoting *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1123 (Fed. Cir.1993)). Expert testimony of the type Samsung identifies, stating that individual design elements confer specific functional benefits (e.g., that round corners "help you move things in and out of your pocket," Tr. 680:9–15), does not constitute clear and convincing evidence that the overall patented designs are dictated by function. Samsung has not identified any other evidence of functionality directed at the designs as a whole. Accordingly, the Court cannot say that the jury's finding that Samsung had not met its burden to establish functionality was unsupported by substantial evidence, or was against the clear weight of the evidence. Samsung's motion for judgment as a matter of law or a new trial on the question of design patent functionality is DENIED.

b. *D'677 and D'087 Obviousness*

Second, Samsung argues that the D'677 and D'087 Patents are invalid for obviousness.[2] "Because obviousness is a mixed question of law and fact, we first presume that the jury resolved the underlying factual disputes in favor of the verdict and leave those presumed findings undisturbed if they are supported by substantial evidence." *Kinetic Concepts*, 688 F.3d at 1357. The factual inquiries underlying the obviousness inquiry are: (1) the scope and content of the prior

[2] Samsung appropriately addressed obviousness as a legal conclusion in the context of its motion on non jury claims. However, the Court addresses obviousness in this Order, along with other invalidity arguments, because obviousness turns on the jury's implied findings of fact in support of non-obviousness, which the Court evaluates under the "substantial evidence in the record" standard. *See Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1357 (Fed.Cir.2012).

art; (2) the differences between the prior art and the claims at issue; (3) the level of ordinary skill in the art; and (4) any relevant secondary considerations, such as commercial success, long felt but unsolved needs, and the failure of others. *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398, 406, 127 S.Ct. 1727, 167 L.Ed.2d 705 (2007) (citing *Graham v. John Deere Co.*, 383 U.S. 1, 17–18, 86 S.Ct. 684, 15 L.Ed.2d 545 (1966)); *Aventis Pharma S.A. v. Hospira, Inc.*, 675 F.3d 1324, 1332 (Fed. Cir.2012). "Then we examine the ultimate legal conclusion of obviousness de novo to see whether it is correct in light of the presumed jury fact findings." *Kinetic Concepts*, 688 F.3d at 1357. The jury found the D'688 and D'087 Patents valid. Thus, the Court will first examine whether substantial evidence supported the jury's underlying factual conclusions that there was a significant gap between the prior art and the patents, and that there were persuasive secondary indicia of non-obviousness.

In addressing a claim of obviousness in a design patent, "the ultimate inquiry ... is whether the claimed design would have been obvious to a designer of ordinary skill who designs articles of the type involved." *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1375 (Fed.Cir.2009) (quoting *Durling v. Spectrum Furniture Co., Inc.*, 101 F.3d 100, 103 (Fed.Cir.1996)). "To determine whether 'one of ordinary skill would have combined teachings of the prior art to create the same overall visual appearance as the claimed design,' the finder of fact must employ a two-step process." *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 678 F.3d 1314, 1329 (Fed.Cir.2012) (quoting *Titan Tire*, 566 F.3d at 1381). "First, 'one must find a single reference, a something in existence, the design characteristics of which are basically the same as the claimed design.'" *Id.* at 1329 (quoting *Durling*, 101

F.3d at 103). "Second, 'other references may be used to modify [the primary reference] to create a design that has the same overall visual appearance as the claimed design.'" *Id.* "However, the 'secondary references may only be used to modify the primary reference if they are so related to the primary reference that the appearance of certain ornamental features in one would suggest the application of those features to the other.'" *Id.* at 1329–30 (quoting *Durling*, 101 F.3d at 103).

To support Samsung's claim that the D'677 and D'087 Patents are obvious, Samsung cites expert Itay Sherman's testimony that these patents are obvious over two Japanese patents, a Korean patent (K'547), and the LG Prada, individually or in combination. Mr. Sherman's expert testimony consisted of identification of similarities between the prior art and the D'677 and D'087 Patents, followed by a bare assertion that a designer of ordinary skill would have found it obvious to combine the identified prior art to create the D'677 and D'087 Patents. *See, e.g.*, Tr. 2595:7–22 (Sherman testimony that it would have been obvious to combine the two Japanese patents to create the D'087 Patent). However, Mr. Sherman acknowledged that some differences between the prior art and the D'677 and D'087 exist. For example, Mr. Sherman admitted that one of the Japanese patents, JP'638, has a curved front face rather than a flat front face. *See* Tr. 2582:5–7. Other differences are apparent from the evidence, although Mr. Sherman did not specifically acknowledge them in his testimony. For example, the Korean patent K'547 discloses a screen that is much smaller in comparison to the overall front face than the screen in the D'677 and D'087 Patents, particularly in the shorter dimension. *See* DX727.002 (K'547 disclosure of the front face). Thus, there was substantial evidence

in the record to support the jury's implicit factual finding that there existed a significant gap between any primary reference in the prior art and the D'677 and D'087 Patents. As Samsung bears the burden on this issue, the Court cannot say that the jury's implied finding that these gaps were significant was not supported by the record.

Furthermore, Apple cites substantial evidence in the record of objective indicia of non-obviousness, including design awards, other accolades, and alleged copying by Samsung. *See* Opp'n at 7 (citing Tr. 508:4–509:4 (testimony on design awards); PX135.1 ("iPhone is pretty" was top reason for invention of the year award); PX44.122, .PX44.127, and .PX44.131 (evidence of Samsung copying)). Pursuant to *Kinetic Concepts*, the Court understands that in reaching the ultimate legal conclusion of non-obviousness, the jury made implied findings of fact accepting this evidence of secondary indicia of non-obviousness. The Court finds that the jury's implied finding that secondary indicia support non-obviousness is supported by substantial evidence in the record.

In light of these factual findings, the Court must now consider whether, as a matter of law, it would have been obvious to a designer of ordinary skill in the art to bridge the significant gap the jury implicitly found. The Court notes that Mr. Sherman did not identify the required primary and secondary reference. *See* Tr. 2580:5–2586:7; 2588:4–2589:22 (Mr. Sherman's testimony about prior art). Nor did he attempt to explain why it would have been obvious for a designer of ordinary skill to take whichever of these prior art designs might have been a primary reference and combine it with the relevant element of a secondary reference or otherwise modify it to arrive at the

patented designs. Instead, Samsung offers only the bare *ipse dixit* of Mr. Sherman, who is not himself an industrial designer, that it would have been obvious for an ordinary designer to bridge the gaps between various pieces of prior art and the patents. This testimony does not satisfy the Federal Circuit's articulated requirements for obviousness in design patents. *See Apple,* 678 F.3d at 1329–20. Samsung did not present any other testimony on obviousness for these two design patents. Thus, the Court finds no persuasive evidence of obviousness in the record.

In sum, the jury's implied factual findings of a significant gap and indicia of non-obviousness are supported by substantial evidence in the record. In light of the gaps between the prior art and the D'677 and D'087 Patents, the secondary indicia of non-obviousness, and the lack of evidence about a secondary reference or how the identified gap might be bridged, the Court finds that the D'677 and D'087 are not invalid for obviousness.

c. *D'889 Obviousness*

Third, Samsung moves for judgment as a matter of law that the D'889 Patent is obvious over two prior art references: the Fidler tablet and TC1000 tablet. The Federal Circuit previously ruled that "the Fidler reference, with or without the TC1000, cannot serve to render the D'889 patent invalid for obviousness" because its similarity to the claimed design is at "too high a level of abstraction." *Apple,* 678 F.3d at 1332. Thus, the Federal Circuit ruled that neither the Fidler tablet nor the TC1000 tablet was an appropriate primary reference. *See id.* Although the Federal Circuit's ruling at the preliminary injunction stage does not necessarily preclude a finding of obviousness in light of additional evidence presented at trial, the jury

agreed with the Federal Circuit and concluded that the D'889 Patent was not obvious. This Court now considers whether the factual record could support the jury's conclusion.

In reaching its finding that the D'889 Patent was valid, the jury made implicit findings of fact about the scope of the prior art. In particular, there was significant evidence before the jury that these two prior art references and the D'889 patent differ in several respects, including the Fidler tablet's curved front face, and the Fidler tablet's inclusion of a screen frame that is asymmetric and not flush with the screen. The TC1000 is more different still. *Kinetic Concepts* requires this Court to credit the jury's implicit finding that these gaps are significant. In light of these implicit findings of fact, supported by the record and in accord with the Federal Circuit's reasoning in *Apple*, 678 F.3d 1314, neither the Fidler tablet, nor the still more divergent TC1000, can serve as a primary reference for obviousness. Accordingly, the Court finds that as a matter of law, the Fidler tablet and the TC1000 do not render the D'889 Patent obvious, and the Court DENIES Samsung's corresponding motion for judgment as a matter of law or a new trial.

d. *D'677 Double Patenting*

Fourth, Samsung argues that the D'677 Patent is invalid for double-patenting over the D'087 Patent. 35 U.S.C. § 101 states that an inventor may obtain "a patent" for an invention. Accordingly, the statute "permits only one patent to be obtained for a single invention." *Boehringer Ingelheim Intern. GmbH v. Barr Labs., Inc.*, 592 F.3d 1340, 1346 (Fed.Cir.2010) (quoting *In re Lonardo*, 119 F.3d 960, 965 (Fed. Cir.1997)). However, § 101 "only prohibits a second

patent on subject matter identical to an earlier patent." *Geneva Pharms., Inc. v. GlaxoSmithKline PLC*, 349 F.3d 1373, 1377 (Fed.Cir.2003). Accordingly, courts developed the doctrine of obviousness-type double patenting to "prevent the extension of the term of a patent ... by prohibiting the issuance of the claims in a second patent not patentably distinct from the claims of the first patent." *Boehringer Ingelheim*, 592 F.3d at 1346 (quoting *In re Longi*, 759 F.2d 887, 892 (Fed.Cir.1985)).

The Federal Circuit has explained that "a patentee may [assure the validity of a patent by filing] a disclaimer after issuance of the challenged patent or during litigation, [and] even after a finding that the challenged patent is invalid for obviousness-type double patenting." *See Boehringer Ingelheim*, 592 F.3d at 1347 (citing *Perricone v. Medicis Pharmaceutical Corp.*, 432 F.3d 1368, 1375 (2005)). Apple has now filed a terminal disclaimer with the P.T.O., limiting the term of the D'677 Patent to the duration of the earlier-expiring D'087 Patent. *See* ECF No. 2162. Accordingly, under *Boehringer*, Apple has assured the validity of the D'677 Patent as against Samsung's claim of double patenting over the D'087 Patent. For this reason, Samsung's motion for judgment as a matter of law that the D'677 Patent is invalid on the basis of double patenting is DENIED.

B. Apple's Registered iPhone Trade Dress and Unregistered iPhone 3G Trade Dress are Protectable and Diluted

Samsung moves for judgment as a matter of law that Apple's registered iPhone Trade Dress and unregistered iPhone 3G Trade Dress are not protectable and

not diluted. *See* Mot. at 8–12. In the alternative, Samsung moves for a new trial on trade dress. *Id.*

1. Functionality

Samsung argues that Apple's registered iPhone Trade Dress and unregistered iPhone 3G Trade Dress are not protectable because they are functional. As a preliminary matter, Apple's registered iPhone Trade Dress is presumed valid, and therefore non-functional, while Apple's unregistered iPhone 3G Trade Dress is presumed functional. *See* 15 U.S.C.A. § 1125; Final Jury Instruction No. 62.

There are two types of functionality: utilitarian functionality and aesthetic functionality. *See TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33, 121 S.Ct. 1255, 149 L.Ed.2d 164 (2001). A finding of either type of functionality would defeat protectability. Under the traditional, utilitarian functionality test, a trade dress is functional "when it is essential to the use or purpose of the device or when it affects the cost or quality of the device." *Id.* In applying this test, the Ninth Circuit assesses four factors: "(1) whether advertising touts the utilitarian advantages of the design, (2) whether the particular design results from a comparatively simple or inexpensive method of manufacture, (3) whether the design yields a utilitarian advantage and (4) whether alternative designs are available." *Talking Rain Beverage Co. v. South Beach Beverage Co.*, 349 F.3d 601, 603 (9th Cir.2003) (citing *Disc Golf Ass'n, Inc. v. Champion Discs, Inc.*, 158 F.3d 1002, 1006 (9th Cir.1998)); *see also Au–Tomotive Gold, Inc. v. Volkswagen of America*, 457 F.3d 1062, 1072 n.8 (9th Cir.2006) (acknowledging the four factor test applied by the Ninth Circuit).

Samsung argues that the record lacks substantial evidence to support the jury's findings that: (1) Apple had established nonfunctionality for its unregistered iPhone 3G trade dress; and (2) that Samsung had not proven functionality for Apple's registered iPhone trade dress.[3] Apple cites evidence disputing utilitarian functionality under all four *Disc Golf* factors. As to the first factor, "whether advertising touts the utilitarian advantages of the design," Apple cites Apple executive Phil Schiller's testimony that Apple's advertising used a "product as hero" pitch that does not tout design utility. *See* Opp'n. at 8 (citing Tr. 654:24–655:1). As to the second factor, "whether design results from a comparatively simple or inexpensive method of manufacture," Apple cites the testimony of Apple design executive Christopher Stringer that Apple encountered difficulties in manufacturing iPhones, suggesting that the designs were *not* especially simple to manufacture. *See* Mot. at 8 (citing Tr. 494:15–495:21). As to the third factor, whether the design yields utilitarian advantage, Apple cites Mr. Stringer's testimony that the iPhone design was selected from among alternative designs because "[i]t was the most beautiful" rather than for some functional purpose. *See* Opp'n. at 8 (citing Tr. 493:14–15). As to the fourth factor, Apple cites actual alternative phone body designs (*see* Opp'n. at 8 (citing PX10)), and the testimony of Apple's expert Susan Kare on alternative phone screen designs. *See* Opp'n. at 8 (citing Tr. 1400:6–1401:1). This body of evidence is sufficient to support a jury's finding that Apple had proven

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[3] As the designs in the iPhone and iPhone 3G trade dress are similar and apply to different versions of the same product, the iPhone, the parties rely on the same evidence in analyzing the functionality of both trade dresses. The Court will do the same.

utilitarian nonfunctionality for its unregistered iPhone 3G trade dress and that Samsung had not proven utilitarian functionality for Apple's registered iPhone trade dress.

Furthermore, there is substantial evidence to support the jury's finding of protectability because the asserted iPhone Trade Dresses lack "aesthetic functionality." *See Au-Tomotive Gold*, 457 F.3d at 1072. A trade dress has aesthetic functionality only if limiting competitors' use of the trade dress would impose a "significant non-reputation-related competitive disadvantage." *See id.* (citing *TrafFix*, 532 U.S. at 33, 121 S.Ct. 1255). The Supreme Court in *TrafFix* explained that such significant disadvantage arises where there is a "competitive necessity" to infringe or dilute. 532 U.S. at 32–33, 121 S.Ct. 1255.

Samsung argues that Apple admitted aesthetic functionality when Apple witnesses testified that the beauty of the iPhone is a factor in its success. *See* Mot. at 9 (citing testimony of Apple design executive Mr. Stringer, Tr. 484:1–11; Apple executive Mr. Schiller, Tr. 602:8–19; 625:4–626:4; 635:24–636:5; and 721:3–7). However, Samsung elsewhere identifies evidence that few consumers are primarily motivated by design considerations such as aesthetics. *See, e.g.*, Mot. at 19 (citing DX592.023; PX69.43 (surveys showing that only between 1% and 5% of purchasers are motivated by phone design and appearance)). Samsung cannot credibly argue that consumers are not motivated by aesthetics in hoping to avoid an injunction or damages award, and simultaneously argue that aesthetics are a significant motivator in hopes of invalidating Apple's trade dress. Although, as Samsung points out, the evidence in the record shows that some fraction of consumers may be motivated in some part

by smartphone design and aesthetics, on balance, the evidence introduced by both Apple and Samsung concerning the limited role of aesthetics in purchasing decisions is sufficient to support the jury's implicit finding that Samsung did not need to infringe Apple's trade dress in order to compete with the iPhone, as would be required for a finding of aesthetic functionality. *See TrafFix*, 532 U.S. at 32–33, 121 S.Ct. 1255.

Accordingly, the Court finds that there is substantial evidence in the record to support the jury's findings that: (1) Apple rebutted the presumption that the unregistered iPhone 3G Trade Dress is functional, and (2) Samsung failed to rebut the presumption that the registered iPhone Trade Dress is non-functional. Samsung's motion for a new trial or judgment as a matter of law that Apple's trade dresses are invalid for functionality is DENIED.

2. Secondary Meaning and Fame

To be protectable, a trade dress must have secondary meaning such that the purchasing public associates the trade dress with a particular source. *See Clamp Mfg. Co., Inc. v. Enco Mfg. Co., Inc.*, 870 F.2d 512, 517 (9th Cir.1989) (citing *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 843 (9th Cir.1987)). Further, a trade dress cannot be diluted unless it is famous such that it is "truly prominent and renowned" among the general public. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir.1999). Apple bears the burden of showing dilution for both registered and unregistered trade dress. *See* 15 U.S.C. § 1125; Final Jury Instruction No. 65.

Although secondary meaning and fame are different issues, here they rise and fall on largely the same evidence. Samsung argues that Apple has failed to

show that its registered iPhone Trade Dress and unregistered iPhone 3G Trade Dress have acquired secondary meaning and are famous. Apple has introduced: (1) survey expert testimony (Tr. 1578:24–1585:5 (Dr. Hal Poret's testimony that his surveys showed consumers associated iPhones with Apple)); Tr. 1695:17–1695:22 (Apple expert Dr. Kent Van Liere, same); (2) iPhone advertisements from 2007 through 2010, including iPhone 3G advertisements from 2008 (PX11, 12, 127); (3) television show clips from 2007 through 2010 (PX14); (4) media reviews of the original iPhone from 2007 (PX133, 135); (5) advertising expenditures (PX16 ("Advertising Expenditures (U.S.)"); Tr. 653:24–654:1 (Mr. Schiller testimony estimating $120–130 in advertising expenses between October 2009 and June 2010)); and (6) fact witness testimony (Tr. 639:8–640:3 (Mr. Schiller's testimony on product as hero advertising)). This significant pool of evidence represents substantial evidence in the record from which the jury could infer both secondary meaning and fame. Accordingly, Samsung's motion for judgment as a matter of law or a new trial on grounds that Apple's trade dress was not protectable or famous is DENIED.

3. Other Elements of Dilution

Trademark dilution is caused by the use in commerce of a mark that "impairs the distinctiveness" or "harms the reputation" of a famous mark. 15 U.S.C. § 1125(c). "Dilution refers to the whittling away of the value of a trademark when it's used to identify different products." *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903 (9th Cir.2002) (citation and quotation marks omitted). While many dilution claims refer to trade names, the dilution statute explicitly applies dilution protection to trade dress. *See* 15

U.S.C. § 1125(c)(4). To establish a claim of trade dress dilution, in addition to proving fame, a plaintiff must show that (1) the defendant is "making use of the [trade dress] in commerce," (2) the defendant's "use began after the [trade dress] became famous," and (3) the defendant's use of the trade dress is "*likely* to cause dilution by blurring" or by "tarnishment." *See Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 634 (9th Cir.2008) (emphasis added).

Samsung does not dispute that substantial evidence supported a finding that Samsung used the asserted Apple trade dresses "in commerce." Instead, Samsung argues that Samsung is entitled to judgment as a matter of law or a new trial on dilution because the evidence did not show that the asserted trade dresses had become famous prior to Samsung's first sale of the accused diluting phones in July 2010. *See* Mot. at 10–11. However, Apple's substantial advertising and press coverage prior to release of Samsung's phones (PX11; PX12; PX16; PX127; PX133; PX135; Tr. 639:8–640:3; Tr. 653:24–655:1), taken together with Apple's later-collected survey evidence (Tr. 1578:24–1585:5; Tr. 1695:17–22), provides substantial evidentiary support for the jury's finding that Apple's trade dresses were famous before Samsung's first sale of an accused diluting phone in July, 2010.

Samsung also argues that Apple has not provided evidence of likely dilution, and that Samsung's evidence of 25 third-party iPhone-like smartphones in the market "undermines any finding of likely dilution" by Samsung's accused devices. *See* Mot. at 11. However, Apple presented significant evidence that dilution by blurring was likely, including: (1) actual accused Samsung products that allegedly have iPhone-like appearances; (2) press reports discussing the similar

appearances of the iPhone and the accused products (PX6); (3) testimony by Apple expert Dr. Winer that Samsung's phones dilute Apple's trade dresses by blurring (Tr. 1521:14–24); (4) evidence of copying by Samsung (Tr. 1506:16–1507:2 (Dr. Winer testimony on Samsung copying)); PX36.20 (Samsung believed the iPhone was "a revolution"); PX44 (Samsung's "Relative Evaluation Report on S1, iPhone"); and (5) testimony of Apple's expert Dr. Van Liere that 37–38% of consumers associated Apple and Samsung smartphones. Tr. 1691:13–1696:2. This collection of evidence constitutes substantial evidence in the record to support the jury's finding of dilution by blurring. Accordingly, Samsung's motion for judgment as a matter of law or a new trial on grounds that Apple did not establish a likelihood of dilution is DENIED.

Finally, an award of damages for trade dress dilution requires a finding that the dilution was willful, i.e. that Samsung "willfully intended to trade on the recognition" of Apple's trade dresses. 15 U.S.C. § 1125(c). Here, it is undisputed that Samsung was aware of the iPhone design. Samsung argues that Apple has not submitted evidence that could support the jury's verdict of willful dilution. However, Apple has submitted evidence that Samsung viewed the iPhone as revolutionary (PX36.20), and that Samsung attempted to create similar products (PX44). This constitutes substantial evidence in the record to support the jury's finding that Samsung willfully intended to trade on the recognition of Apple's trade dresses. Accordingly, Samsung's motion for a new trial or judgment as a matter of law on grounds that Apple did not present evidence of willful dilution is DENIED.

In sum, Apple has identified substantial evidence in the record of trade dress nonfunctionality, trade dress secondary meaning, trade dress fame prior to the release of Samsung's accused devices, likelihood of dilution, and willful dilution. Moreover, the jury's findings were not against the clear weight of the evidence. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that Apple's registered iPhone Trade Dress and unregistered iPhone 3G Trade Dress are not protectable and not diluted, and DENIES Samsung's motion in the alternative for a new trial.

C. Utility Patents

1. Infringement

Samsung moves for judgment as a matter of law that no accused Samsung device infringes any of Apple's utility patent claims. *See* Mot. at 13–15. In the alternative, Samsung also moves for judgment as a matter of law or a new trial on infringement of claim 8 of Apple's U.S. Patent No. 7,844,915 ("the '915 Patent") and claim 19 of U.S. Patent No. 7,469,381 ("the '381 Patent"). In order to find infringement, the jury had to find that each infringing Samsung product met every limitation of each of the infringed patent claims. *See Pennwalt Corp. v. Durand–Wayland Inc.*, 833 F.2d 931, 935 (Fed.Cir.1987) (en banc). Samsung argues that Apple did not offer sufficient evidence of utility patent infringement to support the jury's findings.

Samsung's first argument applies to all of the jury's infringement findings for the '915 and '381 Patents. Samsung argues it was insufficient for Apple's experts to perform an element-by-element infringement analysis of one Samsung device and then simply show

the jury videos of other Samsung devices performing the same patented user-interface ("UI") operation. The Court cannot agree. Apple's experts Dr. Karan Singh and Dr. Ravin Balakrishnan testified that certain UI operations necessarily infringed all of the required elements. Thus, showing that those same UI operations were performed by different devices is the logical equivalent of showing that all of the required elements were performed on each device performing those UI operations. Furthermore, having had the patented UI operations demonstrated by Dr. Singh and Dr. Balakrishnan, the jurors entered the jury room with both an understanding of how the accused UI features were alleged to work *and* actual working products, which the jurors could test to confirm whether the devices infringed the UI utility patents. Thus, the combination of the testimony and the devices themselves constituted substantial evidence in the record to support a finding of infringement, and the jury's finding of infringement was not against the clear weight of the evidence. Samsung's motion for judgment as a matter of law that Apple did not establish infringement for each accused product and Samsung's motion for a new trial on this basis are accordingly DENIED.

a. Claim 8 of the '915 Patent

Samsung also moves for judgment as a matter of law that Samsung did not infringe claim 8 of the '915 Patent. Claim 8 of the '915 Patent claims a device performing a method for scrolling and scaling objects on a touch screen using gestures. Specifically, claim 8 recites:

> A machine readable storage medium storing executable program instructions which when

executed cause a data processing system to perform a method comprising:

receiving a user input, the user input is one or more input points applied to a touch-sensitive display that is integrated with the data processing system;

creating an event object in response to the user input;

determining whether the event object invokes a scroll or gesture operation by distinguishing between a single input point applied to the touch-sensitive display that is interpreted as the scroll operation and two or more input points applied to the touch-sensitive display that are interpreted as the gesture operation;

issuing at least one scroll or gesture call based on invoking the scroll or gesture operation;

responding to at least one scroll call, if issued, by scrolling a window having a view associated with the event object; and

responding to at least one gesture call, if issued, by scaling the view associated with the event object based on receiving the two or more input points in the form of the user input.

'915 Patent, 23:65–24:21.

Samsung makes three arguments to support its motion for judgment as a matter of law or a new trial on '915 Patent infringement. First, Samsung argues that Samsung's software does not satisfy the "invoking" limitation because the MotionEvent object in Samsung's code, which directly stores the user's touch data in the

operating system, does not directly cause the scroll or gesture to occur as required by the claim limitation, but that instead the MotionEvent data is used by another program, WebView object, which actually causes the scroll or gesture operation to occur. *See* Mot. at 14 (citing Tr. 2911:6–2912:1 (noninfringement testimony of Samsung expert Mr. Gray)). This argument, however, is premised upon a claim construction that the Court has already rejected, that the claimed "event object" that detects the user touch must directly cause the scroll or gesture. Instead, the Court ruled that causation with intervening events still meets the claim limitation of "invoke[ing] a scroll or gesture operation." *See* ECF No. 1158. Accordingly, this intervening step does not defeat Apple's claim of infringement.

Second, Samsung argues that some Samsung devices do not perform the "gesture" operation required by the claim in response to a two finger touch. *See* Mot. at 14. Samsung explains that these devices instead perform a "scroll" operation. *Id.* As a preliminary matter, Samsung's expert Mr. Gray testified as to only one such specific device, the Samsung Galaxy Tab 10.1. *See* Tr. 2912:2–19. Thus, even if this argument were persuasive, it would apply only to the Galaxy Tab 10.1, and not to any of the other accused devices. Samsung's motion on this basis is **DENIED** as to all accused devices except the Galaxy Tab 10.1.

Regarding the Galaxy Tab 10.1, Apple's expert Dr. Singh testified that the operation performed by the Samsung Galaxy Tab 10.1 in response to the two finger touch was not, in fact, a "scroll" as Samsung contends, but a simultaneous scroll and scale ("translate" and "scale," in Dr. Singh's words). Tr. 1863:1–1864:16. The plain language of the claim

requires a finger scroll that is "interpreted as the gesture operation" that leads to "scaling" of the view on the touch screen. This plain language does not exclude the possibility that a gesture operation causes both scaling and some other event, such as simultaneous scrolling. Thus, Dr. Singh's testimony could have supported a jury's finding that the Galaxy Tab 10.1 did, in fact, perform scaling in response to a gesture operation, as defined by the claim, and thus did infringe. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that claim 8 of the '915 Patent is not infringed.

Finally, Samsung argues that a new trial is necessary to resolve inconsistencies in the jury verdict. *See* Mot. at 14. Specifically, Samsung argues that the jury found no '915 Patent infringement by the Galaxy Ace, running Android 2.2.1, and by the Intercept and Replenish, running Android 2.2.2., but that the jury found '915 Patent infringement by many other accused devices that run the exact same software. *Id.* In opposition, Apple argues: (1) that Samsung waived its objection by failing to raise this argument before the jury was dismissed; (2) that the verdicts are not inconsistent because the jury may have tested the three non-infringing phones in a manner that would give a false non-infringement conclusion; and (3) that any inconsistency does not merit a new trial in this case.

As to Apple's first argument, waiver by Samsung, the Court finds that Samsung did not waive its right to object to inconsistencies in the jury verdict. In fact, it was clear that Samsung was reserving its right to raise any additional inconsistencies. Tr. 4316:18–21. ("Johnson: That's it *for right now* your honor."

(emphasis added); "The Court: *At this point* ..., no further inconsistencies; right?" (emphasis added)).

Apple also argues that the verdicts are not inconsistent. However, Apple implicitly admits that the verdicts are factually inconsistent. Specifically, Apple suggests that the jury simply made a mistake in analyzing the Ace, Intercept, and Replenish in the jury room, perhaps "test[ing] them on a 'mobile' website that did not allow two-finger scaling and therefore concluded that those particular devices did not infringe." Opp'n at 12. Thus, Apple implicitly agrees that all the devices running a particular Android version either infringe or do not infringe together, and that the jury's findings are factually inconsistent.

Apple argues that these factual inconsistencies do not merit a new trial. Courts are not obligated to set aside a verdict wherever there is any sort of inconsistency. Indeed, the Ninth Circuit allows courts to set aside verdicts on grounds of inconsistency only when absolutely necessary. "The question is whether the verdict can be reconciled on any reasonable theory consistent with the evidence." *Ward v. City of San Jose*, 967 F.2d 280, 286 (9th Cir.1991). Thus, "[w]hen faced with a claim that verdicts are inconsistent, the court must search for a reasonable way to read the verdicts as expressing a coherent view of the case, and must exhaust this effort before it is free to disregard the jury's verdict and remand the case for a new trial." *Toner for Toner v. Lederle Laboratories, a Div. of American Cyanamid Co.*, 828 F.2d 510, 512 (9th Cir.1987).

In *Zhang v. Am. Gem Seafoods, Inc.*, 339 F.3d 1020, 1034 (9th Cir.2003), the Ninth Circuit undertook a comprehensive analysis of the law on inconsistent verdicts. In upholding a jury's verdict that a corporate

defendant was liable where the only individual acting on behalf of the corporation was not, the Ninth Circuit explained that seeming inconsistencies in a jury's understanding of facts does not warrant a new trial. *Id.* at 1030. Only verdicts that entail two legal conclusions that cannot logically coexist, such as an award of damages and a finding of no liability, rather than a mere inconsistent view of facts, warrant the Court's intervention. *See id.* at 1034 ("Unless one legal conclusion is the prerequisite for another, inconsistencies between them must stand."); *see also Duhn Oil Tool, Inc. v. Cooper Cameron Corp.*, 818 F.Supp.2d 1193 (E.D.Cal., 2011) (jury's verdicts that independent patent claim is obvious, but dependent claim is not, are inconsistent and require new trial).

Here, an infringement finding for one product is not the legal prerequisite for an infringement finding of another product, even if the products are identical in all relevant respects. Rather, this situation is analogous to *Zhang*, where a finding that the corporation was liable logically should also have meant that the individual through which the corporation acted was liable, but the two liability determinations, while depending on the same facts, were legally independent of one another. In *Zhang*, the Ninth Circuit held that the verdicts, though apparently factually inconsistent, must stand. *Id.* at 1030. The same is true here. Accordingly, a new trial to resolve inconsistencies is inappropriate as to '915 Patent infringement. Therefore, the Court DENIES Samsung's motion for a new trial as to infringement of claim 8 of the '915 Patent.

b. Claim 19 of the '381 Patent

Samsung also moves for judgment as a matter of law that Samsung did not infringe claim 19 of the '381 Patent. Claim 19 of the '381 Patent claims a device

performing a method of bouncing back when a user scrolls an object such as a web page off the end of a display screen. Specifically, claim 19 recites:

> A device, comprising:
>
> a touch screen display;
>
> one or more processors;
>
> memory; and
>
> one or more programs, wherein the one or more programs are stored in the memory and configured to be executed by the one or more processors, the programs including:
>
> instructions for displaying a first portion of an electronic document;
>
> instructions for detecting a movement of an object on or near the touch screen display;
>
> instructions for translating the electronic document displayed on the touch screen display in a first direction to display a second portion of the electronic document, wherein the second portion is different from the first portion, in response to detecting the movement;
>
> instructions for displaying an area beyond an edge of the electronic document and displaying a third portion of the electronic document, wherein the third portion is smaller than the first portion, in response to the edge of the electronic document being reached while translating the electronic document in the first direction while the object is still detected on or near the touch screen display; and

> instructions for translating the electronic document in a second direction until the area beyond the edge of the electronic document is no longer displayed to display a fourth portion of the electronic document, wherein the fourth portion is different from the first portion, in response to detecting that the object is no longer on or near the touch screen display.

'381 Patent, 36:59–37:22.

Samsung argues that the "hold still" function of its phones is not a bounce-back feature as claimed by the '381 Patent, and that therefore its phones do not infringe. *See* Mot. at 14–15. Apple does not dispute that the "hold still" function is not claimed by the '381 Patent, but cites Apple expert Dr. Balakrishnan's testimony that in addition to the "hold still" function, the accused Samsung phones also perform the claimed bounce-back function, and that the accused phones contain the software instructions for performing the bounce-back function. *See* Opp'n. at 13 (citing Tr. 1751:21–1757:21).

Samsung argues that the Court has already ruled that the '381 Patent requires that the bounce-back function occur every time the user scrolls past the edge of the electronic document, and that therefore even if the accused phones do sometimes display the bounce-back feature or contain software instructions for that feature, they do not infringe. *See* Mot. at 14–15. However, this Court's prior ruling did not concern claim 19, but rather claim 1 of the '381 Patent, a method claim. *See* ECF No. 452 at 58–60. Thus, that ruling does not control here. The jury found that some Samsung products infringe claim 19 of the '381 Patent, which claims not a method, but an apparatus with

instructions for performing the bounce-back function. The plain language of the claim does not require that the instructions operate to perform the function in every instance. Thus, the jury could reasonably have interpreted the claim language to require only that a device contain the instructions for the bounce-back feature, which Dr. Balakrishnan testified that Samsung's devices did. Accordingly, there is substantial evidence in the record to support the jury's findings of infringement as to claim 19 of the '381 Patent, and this finding of infringement was not against the clear weight of the evidence. Therefore, the Court DENIES Samsung's motion for judgment as a matter of law that Samsung's accused devices do not infringe claim 19 of the '381 Patent, and DENIES Samsung's motion for a new trial on this basis.

2. Validity

Samsung seeks judgment as a matter of law that all three of Apple's asserted utility patents are invalid on grounds of anticipation, obviousness, or both.[4] A patent claim is invalid by reason of anticipation under 35 U.S.C. § 102 "if each and every limitation is found either expressly or inherently in a single prior art reference." *Bristol–Myers Squibb Co. v. Ben Venue Labs., Inc.*, 246 F.3d 1368, 1374 (Fed.Cir.2001). Whether a patent is anticipated is a question of fact. *Green Edge Enterprises, LLC v. Rubber Mulch Etc., LLC*, 620 F.3d 1287, 1297 (Fed.Cir.2010). Anticipation

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[4] Samsung has also moved for a new trial on validity. However, Samsung's motion for a new trial is based upon Samsung's allegation that despite correct instruction, the jury applied an incorrect legal standard to evaluate patent validity. This argument has already been addressed in the Court's Order re: Juror Misconduct. *See* ECF No. 2198.

must be shown by clear and convincing evidence. *Id.* at 1292.

As with design patents, as discussed above, a utility patent is invalid for obviousness "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." 35 U.S.C. § 103(a). "Obviousness is a question of law based on underlying findings of fact." *In re Kubin,* 561 F.3d 1351, 1355 (Fed.Cir.2009). The underlying factual inquiries are: (1) the scope and content of the prior art; (2) the differences between the prior art and the claims at issue; (3) the level of ordinary skill in the art; and (4) any relevant secondary considerations, such as commercial success, long felt but unsolved needs, and the failure of others. ***KSR Int'l,*** 550 U.S. at 406, 127 S.Ct. 1727 (2007) (citing *Graham,* 383 U.S. at 17–18, 86 S.Ct. 684); *Aventis,* 675 F.3d at 1332. Though obviousness is ultimately a question of law for the Court to decide de novo, the Court treats with deference the implied findings of fact regarding obviousness made by the jury. *Kinetic Concepts,* 688 F.3d at 1356–57 "A party seeking to invalidate a patent on the basis of obviousness must demonstrate by clear and convincing evidence that a skilled artisan would have been motivated to combine the teachings of the prior art references to achieve the claimed invention, and that the skilled artisan would have had a reasonable expectation of success in doing so." *Id.* at 1360.

a. Claim 8 of the '915 Patent

Samsung moves for judgment as a matter of law that claim 8 of the '915 Patent is invalid based on two pieces of prior art: (1) the DiamondTouch with FractalZoom; and (2) the Nomura patent application.[5] *See* Mot. at 12. First, Samsung argues that the DiamondTouch with FractalZoom included all the elements of claim 8 of the '915 Patent, rendering claim 8 invalid for anticipation. Although Samsung's expert Stephen Gray testified that this prior art contained all the elements of claim 8 of the '915 Patent (Tr. 2897:12–2902:5:25), Apple's expert Dr. Singh gave contrary testimony (Tr. 3623:7–3625:5). Specifically, Dr. Singh testified that: (1) the DiamondTouch does not contain an "integrated" "touch-sensitive display;" (2) the DiamondTouch treats a three-finger input the same as a one-finger input, thereby failing to distinguish between a "single input point" and "two or more input points"; and (3) Mr. Gray never identified a "view object" that was associated with an "event object." Though conflicting with Mr. Gray's testimony to some extent, this testimony is sufficient to support the jury's finding that Samsung has not proven anticipation by clear and convincing evidence.

Moreover, in finding the patent valid, the jury made implied findings that these gaps between the prior art and claim 8 of the '915 Patent were significant. Samsung has failed to identify evidence suggesting that it would have been obvious to a person of ordinary skill in the art to bridge these gaps, such as testimony or documentary evidence as to how or why the gap would

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[5] Samsung does not move for judgment as a matter of law that claim 8 of the '915 Patent is invalid based on the Han reference, but Apple's opposition discusses the Han reference.

have been bridged. Thus, the Court cannot find that Samsung has met its burden to establish obviousness by clear and convincing evidence. Therefore, the Court DENIES Samsung's motion for judgment as a matter of law that claim 8 of the '915 Patent is invalid over the DiamondTouch with FractalZoom prior art.

Samsung also argues that the Nomura patent application includes all elements of claim 8 of the '915 Patent, and thus renders claim 8 invalid for anticipation. *See* Mot. at 12. Claim 8 covers a user interface created by a specific programming technique. However, Dr. Singh testified that Nomura does not include "events, objects, [or] views," as required by claim 8. Thus, Nomura may disclose a similar user interface, but one that is implemented using different programming techniques than claim 8 of the '915 Patent. Tr. 3625:10–3626:24. As with the DiamondTouch, Dr. Singh's testimony about the Nomura reference supports the jury's finding of non-anticipation.

Furthermore, the jury's finding of validity indicates that the jury made an implied finding of fact affirming Dr. Singh's testimony that the gap between Nomura and the '915 Patent was significant. The Court must give that finding deference. *See Kinetic Concepts*, 688 F.3d 1342, 1356. In light of the lack of clear Samsung evidence as to why such a gap would be obvious to bridge, the Court finds claim 8 of the '915 Patent non-obvious as a matter of law. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that claim 8 of the '915 Patent is invalid based on the Nomura prior art.

b. Claim 19 of the '381 Patent

Samsung also moves for judgment as a matter of law that claim 19 of the '381 Patent is invalid because of the TableCloth and LaunchTile prior art references, based upon testimony to that effect from Samsung's expert Dr. van Dam. *See* Mot. at 12.

Apple argues that the jury's finding of non-anticipation was supported by the testimony of Dr. Balakrishnan. Dr. Balakrishnan testified that TableCloth does not respond to the edge of an electronic document as required by claim 19. *See* 3631:14–3634:19. Instead, he testified that TableCloth simply snaps back to the original position when the user's finger is lifted off the touch-screen, regardless of whether a document edge has been crossed. *Id.* This testimony alone is sufficient to support the jury's finding that TableCloth does not anticipate claim 19. Similarly, Dr. Balakrishnan testified that TableCloth snaps back not only until space beyond the edge of an electronic document is no longer displayed, but rather all the way to the document's original position, before it was moved at all. *Id.* Yet claim 19 explicitly excludes this type of snapping back to the original position ("wherein the fourth portion is different from the first portion"). Again, this testimony is sufficient to support the jury's finding of validity.

Dr. Balakrishnan also provided testimony sufficient to support the jury's finding that LaunchTile does not anticipate claim 19. He testified that LaunchTile fails to meet the limitations of claim 19 of the '381 Patent because LaunchTile does not respond "to the edge of the electronic document being reached," as required by the claim. Tr. 3634:20–3635:18. Instead, Dr. Balakrishnan testified that LaunchTile tracks the center of the document. *Id.* Dr. Balakrishnan also testified that

LaunchTile will simply move to center a displayed document, but that such centering will not necessarily be "in a second direction" as required by claim 19. *See id.* ("If it's more than a sixth of the way, it goes to the next set of tiles."). Furthermore, Dr. Balakrishnan testified that LaunchTile sometimes also demonstrated situations in which LaunchTile will not move past an edge (the so-called "frozen screen problem"), and situations in which LaunchTile allows dragging far past an edge (the so-called "desert fog problem"). Tr. 3635:19–3636:8. The emergence of these two problems supports Dr. Balakrishnan's testimony that although LaunchTile may sometimes appear to be responding to an edge as required by claim 19, in fact it is not. In sum, Dr. Balakrishnan's testimony constituted substantial evidence in the record to support the jury's finding of non-anticipation. Accordingly, Samsung's motion for judgment as a matter of law that claim 19 of the '381 Patent is invalid for anticipation is DENIED.

The Court also finds that claim 19 is not obvious in light of Tablecloth and LaunchTile. In finding validity, the jury implicitly found that the gaps identified by Dr. Balakrishnan were significant. Samsung's expert Dr. van Dam testified only that Tablecloth rendered claim 19 obvious because a person of ordinary skill in the art would "understand the advantage of this snapping back behavior." Tr. 2872:23–25. Dr. van Dam also testified that LaunchTile rendered the '381 Patent "obvious because, again, you can see every element there." Tr. 2873:6–7. These bare assertions by Dr. van Dam are insufficient to prove by clear and convincing evidence that it would have been obvious to bridge the gaps between Tablecloth or LaunchTile and claim 19. Accordingly, in light of the jury's implied findings of

fact and Samsung's minimal evidence as to obviousness, the Court finds claim 19 of the '381 Patent non-obvious as a matter of law. Therefore, the Court DENIES Samsung's motion for judgment as a matter of law that claim 19 of the '381 Patent is invalid.

c. Claim 50 of the '163 Patent

Claim 50 of U.S. Patent No. 7,864,163 ("the '163 Patent") claims a touch screen device with tap-to-zoom functionality. Specifically, claim 50 recites:

> A portable electronic device, comprising:
>
> a touch screen display;
>
> one or more processors;
>
> memory; and
>
> one or more programs, wherein the one or more programs are stored in the memory and configured to be executed by the one or more processors, the one or more programs including:
>
> instructions for displaying at least a portion of a structured electronic document on the touch screen display, wherein the structured electronic document comprises a plurality of boxes of content;
>
> instructions for detecting a first gesture at a location on the displayed portion of the structured electronic document;
>
> instructions for determining a first box in the plurality of boxes at the location of the first gesture;
>
> instructions for enlarging and translating the structured electronic document so that the

> first box is substantially centered on the touch screen display;
>
> instruction for, while the first box is enlarged, a second gesture is detected on a second box other than the first box; and
>
> instructions for, in response to detecting the second gesture, the structured electronic document is translated so that the second box is substantially centered on the touch screen display.

'163 Patent, 29:14–40.

Samsung argues that claim 50 of the '163 Patent is invalid based on LaunchTile, and two additional references, Agnetta and Robbins. In support of this argument, Samsung cites the testimony of Mr. Gray. *See* Mot. at 12–13. Apple's expert Dr. Singh gave rebuttal testimony as to LaunchTile and Agnetta, explaining that neither LaunchTile nor Agnetta "enlarge[s] a structured electronic document" as required by claim 50. Tr. 3615:19–3616:4. Instead, Dr. Singh testified that to the extent any structured electronic document exists, LaunchTile and Agnetta *replace* that structured electronic document with new content. *Id.* This testimony is sufficient to support the jury's finding that Samsung did not prove anticipation by LaunchTile or Agnetta by clear and convincing evidence. As to the Robbins reference, Mr. Gray did not address all the limitations of claim 50 on direct examination. *See* Tr. 3619:4–3620:10 (Dr. Singh testimony that Mr. Gray had neglected to explain how all claim elements were present in Robbins). The incomplete nature of Mr. Gray's testimony supports the jury's finding that Samsung did not prove anticipation over Robbins by clear and convincing

evidence. Tr. 2919:17–2922:6. Accordingly, Samsung's motion for judgment as a matter of law that claim 50 is invalid for anticipation is DENIED.

Furthermore, Mr. Gray admitted that he gave no testimony as to obviousness of claim 50 of the '163 Patent. Tr. 2924:12–17 (admitting that "anticipation is all [Mr. Gray] spoke to"). Indeed, because the jury implicitly found, as Dr. Singh testified, that there are differences between the prior art and Apple's utility patents, Samsung had the burden of showing that these gaps would have been obvious to bridge. Samsung failed to offer such evidence. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that claim 50 of the '163 Patent is invalid for obviousness over the LaunchTile, Agnetta, and Robbins references.

D. Willfulness

To establish willful patent infringement,[6] "a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk ... was either known or so obvious that it should have been

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[6] This standard applies only to patents. To the extent that the parties suggest that the Court should consider willfulness regarding trade dress dilution, the Court declines to do so. Willfulness is part of dilution inquiry, and a finding of willfulness is required to award remedies for trade dress dilution. Accordingly, the jury's findings on willfulness as to trade dress dilution are addressed in the section on trade dress, and are not independently considered here, in the discussion of willful patent infringement.

known to the accused infringer." *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed.Cir.2007) (internal citation omitted). Thus, the willfulness inquiry is a two-prong analysis, requiring an objective inquiry and a subjective inquiry. The objective inquiry is a question for the Court, and the subjective inquiry is a question for the jury. *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.*, 682 F.3d 1003, 1007 (Fed.Cir.2012).

Because both prongs must be established for the Court to make an ultimate finding of willfulness, failure on either prong defeats a claim of willfulness. Thus, where the jury found willfulness, the Court must also find willfulness. If the Court finds no objective willfulness, the inquiry is at an end, and the Court need not consider whether the jury's finding of subjective willfulness was supported by substantial evidence. Conversely, if the jury found no subjective willfulness, the Court need not consider objective willfulness, as the willfulness claim must fail either way.[7]

Here, the Court sent the subjective prong of willfulness to the jury, and the jury found that Samsung's infringement was subjectively willful for five of the seven patents (three utility patents and two design patents). *See* Final Jury instruction No. 59; Amended Jury Verdict, ECF No. 1890, at 9. Thus, for these five patents, the Court must find the objective prong also

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[7] Of course, a jury's finding of no subjective willfulness must also be supported by substantial evidence in the record. This question was briefed in Apple's motion for judgment as a matter of law, and is addressed in this Court's separate Order on that motion.

satisfied in order to make an ultimate finding of willfulness.[8]

To establish objective willfulness, Apple must prove by clear and convincing evidence that there was an "objectively high likelihood that its actions constituted infringement of a valid patent." *Bard*, 682 F.3d at 1005 (citing *Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed.Cir.2010)). If Samsung had an objectively reasonable defense to infringement, its infringement cannot be said to be objectively willful. *See Spine Solutions*, 620 F.3d at 1319 ("The 'objective' prong of *Seagate* tends not to be met where an accused infringer relies on a reasonable defense to a charge of infringement."); *Bard*, 682 F.3d at 1006 (objective willfulness determination "entails an objective assessment of potential defenses based on the risk presented by the patent. Those defenses may include questions of infringement but also can be expected in almost every case to entail questions of validity that are not necessarily dependent on the factual circumstances of the particular party accused of infringement"). The Court will consider each patent in turn.

1. '381 Patent

First, the Court finds that Samsung had an objectively reasonable defense to infringement of claim 19 of the '381 Patent. Specifically, Samsung had a reasonable defense that this claim was invalid for anticipation by

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[8] Apple argues that Samsung inappropriately argued non-willfulness in Samsung's motion on non-jury claims. Although the Court addresses willfulness in this Order, in light of *Bard*, it was appropriate for Samsung to raise the objective prong of willfulness in Samsung's motion on non-jury claims.

Tablecloth. At summary judgment, Samsung presented evidence that Tablecloth was invented and may have been in public use more than one year prior to the filing of the '381 Patent's parent provisional application, thus qualifying as prior art under § 102(b). *See* Decl. of Adam Bogue in support of Samsung's motion for summary judgment, ECF No. 933, at ¶¶ 8–12. Samsung also presented a date stamp on the files for the Tablecloth software showing its invention before the '381 Patent application was filed. *See* Decl. of Bill Trac in support of Samsung's summary judgment reply, ECF No. 1068, at ¶ 28 & Exh. 25; Order Denying Samsung's Motion for Summary Judgment, ECF No. 1158, at 13–16 (citing Samsung's evidence).

Further, Samsung presented an expert's declaration opining that Tablecloth disclosed all of the limitations of claim 19. *See* Decl. of Andries Van Dam in support of Samsung's motion for summary judgment, ECF No. 937, at §§ 51–82. Similar evidence was presented at trial. *See* Tr. 2276:17–2299:16 (Adam Bogue testifying about DiamondTouch and Tablecloth); *id.* at 2846:10–2847:2; 2855:1–2858:22 (Dr. van Dam testifying about Tablecloth's disclosure of claim elements). Though the evidence was not sufficient to establish anticipation as a matter of law, nor to persuade the jury of anticipation by clear and convincing evidence, there was certainly an objectively reasonable argument for anticipation.[9] Accordingly, the Court finds that,

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[9] Samsung has also directed the Court to the PTO's recent non-final action rejecting claims 1–20 for anticipation in an ex parte reexamination. *See* ECF No. 2079. However, the Federal Circuit "has stressed that initial rejections by the PTO of original claims that were later confirmed on reexamination is so commonplace that they hardly justify a good faith belief in the invalidity of the claims." *Hoechst Celanese Corp. v. BP Chems. Ltd.*, 78 F.3d 1575,

objectively, Samsung's infringement of the '381 Patent was not willful, due to its reasonable reliance on an invalidity defense. Because the objective willfulness prong is not satisfied, the Court need not examine the jury's finding on subjective willfulness. Samsung's motion for judgment as a matter of law that its infringement of claim 19 of the '381 Patent was not willful is GRANTED.

2. '163 Patent

Regarding the '163 Patent, Samsung again had an objectively reasonable defense. Specifically, Samsung had a reasonable defense that claim 50 of the '163 Patent was invalid for indefiniteness. Indeed, although the Court has ultimately found the term "substantially centered" definite, see Order re: Indefiniteness, ECF No. 2218, Samsung's position, as argued in Samsung's motion on non jury claims, was objectively reasonable, and raised close questions of law concerning the definiteness requirement in the context of terms of degree. Because the objective willfulness prong is not satisfied, the Court need not examine the jury's finding on subjective willfulness. Samsung's motion for judgment as a matter of law that its infringement of claim 50 of the '163 Patent was not willful is GRANTED.

1584 (Fed.Cir.1996); *id.* at 1584 (stating that a grant of a request for reexamination does not establish a likelihood of patent invalidity); *see also Q.G. Prods. v. Shorty, Inc.*, 992 F.2d 1211, 1213 (Fed.Cir.1993) (noting that initial patent "rejections often occur as a part of the normal application process"). Accordingly, the Court does not rely on the PTO's non-final action in ruling on Samsung's motion.

3. '915 Patent

As to the '915 Patent, Samsung had an objectively reasonable defense that claim 8 was invalid for obviousness. As explained above in resolving Samsung's motion for judgment as a matter of law on obviousness, the '915 Patent distinguishes between one-finger scrolling and two-finger gestures. There is no dispute that DiamondTouch does both one-finger scrolling and two-finger gestures. The DiamondTouch, however, treats a two-finger touch as unique, and a single finger or a three-or-four-finger touch as the same. The '915 Patent, in contrast, treats one-finger touches as unique, and two, three, or four-finger touches as the same. Though this jury did not, a jury could reasonably have found that the gap between DiamondTouch's function and the '915 Patent (i.e., whether the one-finger or the two-finger touch is unique) was not significant. Thus, it was objectively reasonable for Samsung to contend that treating all multiple-finger touches the same, instead of treating a two-finger touch as unique, would have been obvious to a person having ordinary skill in the art.

Samsung had an additional objectively reasonable (though ultimately unsuccessful) obviousness defense to infringement of the '915 Patent. Apple distinguished another prior art reference, the Nomura patent application, on the grounds that the Nomura reference and the '915 Patent used different programming methods. Apple explains that the Nomura reference did not disclose the use of object-oriented programming, and that the '915 Patent added this feature. Tr. 3625:10–3626:24 (Apple expert Dr. Singh testifying that the Nomura reference does not disclose "events, objects, [or] views," and explaining "you can easily replace events with, with polling in a device ...

procedural programming and languages can replace objects, ... and you can have a single block of display logic instead of views.") Samsung argues that any such gap in programming technique would have been obvious to a person of ordinary skill in the art. Samsung had an objectively reasonable argument that the unique aspect of the '915 patent was not the programming techniques used to implement it, but rather the user interface aspect, and accordingly, it would be obvious to implement the same user interface with different underlying programming.[10] Because the objective willfulness prong is not satisfied, the Court need not examine the jury's finding on subjective willfulness. Samsung's motion for judgment as a matter of law that its infringement of claim 8 of the '915 Patent was not willful is GRANTED.

4. D'677 and D'305 Patents

Turning to the two design patents that the jury found that Samsung had willfully infringed, the D'677 and D'305 Patents, the Court finds that Apple has not met its burden to show by clear and convincing evidence that there was an objectively high likelihood that Samsung's actions would infringe valid design patents. Leaving aside the question of whether Samsung actually knew about the patents (as this question was part of the jury's subjective analysis), the Court finds that Samsung would have been reasonable to rely on its noninfringement defenses.

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[10] Here, Samsung has directed the Court to another non-final PTO action rejecting claim 8 of the '915 Patent. *See* ECF No. 2202. For the reasons explained above, the Court does not consider this PTO non-final action in ruling on Samsung's present motion.

Apple argues that Samsung had no reasonable noninfringement defense for either the D'677 or the D'305 Patent. *See* Apple's Brief on Nonjury Claims, ECF No. 1981, at 13. For the D'677 Patent, Apple relies on this Court's finding, at the preliminary injunction stage, that the Samsung Galaxy S 4G and Samsung Infuse likely infringed the D'677 Patent. However, for both products, the Court noted that it was "a close question," ECF No. 452 at 26, 27 The Court pointed out differences such as the "four small functional buttons at the bottom, and a camera lens at the top of the front face" of the Galaxy S 4G, which could "take on greater significance" in light of the prior art. *Id.* at 25. And with regard to the Infuse, the Court noted "the addition of buttons and writing," and the fact that the "Infuse 4 appears broader and longer, with a larger screen face relative to the rest of the front face, and sharper corners" than the D'677 Patent. *Id. at 27.* Thus, the Court's ultimate conclusion, after careful consideration, that infringement was likely does not render Samsung's reliance on an infringement defense unreasonable. Indeed, the closeness of the question suggests that noninfringement was indeed a reasonable defense. Accordingly, the Court finds that Apple has not met its burden to establish that there was an objectively high likelihood that Samsung's actions would constitute infringement of the D'677 Patent, and Samsung's motion for judgment as a matter of law that its infringement was not willful is GRANTED.

Regarding the D'305 Patent, Apple does not present any specific evidence as to the unreasonableness of Samsung's infringement defense. Instead, Apple relies on general evidence that "some of the accused products" were very similar to the D'305 Patent. Apple's Mot. for Damages Enhancements at 13. Apple

points to one internal Samsung document (PX44.131) noting a "[s]trong impression that iPhone's icon concept was copied." The document includes a side-by-side comparison of an iPhone and a phone labeled "GTi9000." The document does not mention the D'305 patent. Further, the document actually points out some differences between the Samsung phone and the iPhone in the form of suggestions for how the Samsung product could be made to look more iPhone-like: "Insert effects of light for a softer, more luxurious icon implementation. Make the edge curve more smooth to erase the hard feel. Remove a feeling that iPhone's menu icons are copied by differentiating design." PX44.131. Thus, even where aware of the similarities, Samsung had also identified several differences. As noted above, individual differences such as those Samsung has identified can take on a greater significance in the infringement analysis when compared with the prior art, thus providing further reason to believe that a design with such differences does not infringe. *See Crocs, Inc. v. Int'l Trade Comm'n*, 598 F.3d 1294, 1303 (Fed.Cir.2010). PX44 therefore does not provide convincing evidence that Samsung's infringement defense for the D'305 Patent was unreasonable.

Apple's other piece of evidence regarding Samsung's noninfringement defense is a single quotation from *Wired* magazine noting that "[t]he Vibrant's industrial design is shockingly similar to the iPhone 3G." PX6.1. The discussion in the passage cited by Apple is largely focused on the exterior of the phone, not the user interface or icons covered by the D'305 Patent, though it does mention that "the square icons are, again, very similar in their looks to the iPhone 3G's." *Id.* The Vibrant is one of the phones accused of infringing the D'305 patent. However, all Apple has presented here

is one industry reporter's assessment that the icons are "very similar" in their looks. This article provides some limited evidence that one phone, the Vibrant, had the potential to infringe the D'305 Patent. It does not, however, make clear whether the similarity is in individual icons themselves, the layout of the icons, or, as would be more relevant to the question of design patent infringement, the overall visual impression of the home screen. The fact that the Vibrant's square icons are similar to the iPhone's would not necessarily mean that the Vibrant would infringe the D'305 Patent.

As this is the sum total of Apple's arguments and evidence that Samsung's infringement was willful, the Court cannot conclude that Apple has met its burden to show willfulness by clear and convincing evidence. In light of Samsung's reasonable, if ultimately unsuccessful, noninfringement defense, Apple simply has not established that there was an objectively high likelihood that Samsung's actions would constitute infringement of the D'305 Patent. This finding makes it unnecessary for the Court to review Samsung's invalidity defenses, as Samsung needed only one reasonable defense on which to rely, in order to defeat the objective willfulness inquiry. Accordingly, Samsung's motion for judgment as matter of law that Samsung did not willfully infringe the D'305 Patent is GRANTED.

E. SEC's Liability

The Defendants in this case are three Samsung entities: the Samsung Korean parent company, Samsung Electronics Corporation ("SEC"); and two United States subsidiaries, Samsung Telecommunications America ("STA") and Samsung Electronics America ("SEA"). The jury found SEC liable for both direct infringement and inducing infringement by STA and

SEA. Samsung moves for judgment as a matter of law that SEC did not directly infringe or induce infringement, and in the alternative for a new trial. Samsung also moves for a new trial on damages on the grounds that damages were improperly calculated as a global figure for SEC and its United States subsidiaries based upon the finding that SEC was liable for patent infringement.

As to direct infringement, Samsung argues that the Korean parent company, SEC, does not commit patent infringement in the United States because when SEC sells the accused devices to the subsidiaries, title to the accused devices is transferred to STA and SEA before the SEC ships the devices. "Mere knowledge that a product will ultimately be imported into the United States is insufficient to establish liability [for direct patent infringement] under section 271(a)." ***MEMC Elec. Materials v. Mitsubishi Materials Silicon Corp.***, 420 F.3d 1369, 1377 (Fed.Cir.2005). However, Samsung's 30(b)(6) witness Justin Denison testified that STA and SEA collect orders in the United States, that SEC manufactures the accused devices, and that SEC then ships the accused devices to Chicago and Dallas. Tr. 793:25–795:12. Furthermore, Apple's financial expert Terry Musika testified that STA and SEA buy phones from SEC, which STA and SEA resell in the United States. Tr. 2068:14–2069:16. The jury could reasonably infer that this exchange involves more than "mere knowledge." Indeed, STA and SEA are based in the United States, and SEC ships the phones directly into the United States, albeit having first transferred title to STA and SEA. *See* Tr. 790:17–795:12 (Denison testimony). This is the same arrangement found sufficient to constitute direct infringement in *Litecubes, LLC v. N. Light Prods.*, 523 F.3d 1353, 1371 (Fed. Cir.2008) ("Since the American customers were in the

United States when they contracted for the accused cubes, and the products were delivered directly to the United States, under *North American Philips [Corp. v. American Vending Sales, Inc.*, 35 F.3d 1576 (Fed. Cir.1994)] and ***MEMC*** there is substantial evidence to support the jury's conclusion that GlowProducts sold the accused cubes within the United States.")

Furthermore, substantial evidence suggests that SEC exerted a high degree of control over SEA and STA activities in the United States, including setting wholesale prices and analyzing product returns. *See, e.g.*, Tr. 796:14–18 (Denison testimony that "there's a lot of conversations back and forth [that] could be construed as directions [from SEC to STA]"); PX204 at 188:9–17 ("SEC [and not STA] sets the wholes price"); PX59.2 ("Headquarters" personnel lead STA employees investigating Tab returns at Best Buy); Tr. 793:17–24 (Denison testimony that SEC is referred to as "HQ or headquarters"). This control is further evidence that the sale of infringing phones in the United States by SEA or STA can be considered infringement in the United States by SEC. Accordingly, substantial evidence in the record supports the jury's finding that SEC directly infringed Apple's patents. Therefore, the Court DENIES Samsung's motion for judgment as a matter of law that SEC did not commit direct infringement, and DENIES Samsung's motion for a new trial on damages on the grounds that the damages figure was based upon the incorrect finding of SEC liability.

Having found that SEC is directly liable for infringement, the Court need not reach the question of whether the jury's findings of inducement for these same products and patents was also supported by substantial evidence. Inducement can only occur

where there is direct infringement by another. *See Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1274 (Fed.Cir.2004). Here, for every patent and product for which the jury found direct infringement by STA or SEA (and thus for which inducement is possible), the jury also found, and the Court affirmed, direct infringement by SEC. Thus, SEC's liability has been conclusively established; an additional finding on an alternative theory of liability will not change the outcome. Accordingly, the Court need not reach the question of whether substantial evidence supported the jury's finding that SEC induced infringement by STA or SEA.

F Samsung's Affirmative Case

1. Claims 10 and 15 of the '941 Patent

Samsung moves for judgment as a matter of law that Apple's accused devices infringe claims 10 and 15 of the U.S. Patent No. 7,675,941 ("the '941 Patent"). Samsung also moves for judgment as a matter of law that the asserted claims are not exhausted as to Apple's accused devices. The Court has granted Apple's motion for judgment as a matter of law that claims 10 and 15 of the '941 Patent are invalid for anticipation. *See* Order granting in part and denying in part Apple's motion for judgment as a matter of law, ECF No. 2219. Accordingly, the Court does not reach Samsung's motions as to the '941 Patent.

2. Claims 15 and 16 of the '516 Patent

Samsung moves for judgment as a matter of law that Apple's accused devices infringe claims 15 and 16 of the '516 Patent, and that these claims are not exhausted as to Apple's accused devices. Samsung alleges that claims 15 and 16 of the '516 Patent are

embodied by Intel chipsets which were sold to Apple, and used in Apple's accused devices. The jury found that Samsung's chip patents were exhausted, but not infringed. Pursuant to the jury instructions, the jury, in finding exhaustion, made implicit findings of fact: (1) that Intel's sales to Apple were authorized by Samsung; (2) that those sales occurred in the United States; and (3) that if the accused products infringe, it is because the baseband chips substantially embody the '516 and/or '941 Patents. *See* Final Jury Instruction No. 34. The Court will consider exhaustion first, and will then turn to the question of infringement.

Regarding the first requirement for exhaustion, authorization, there is substantial evidence in the record to support the jury's conclusion that Intel was licensed to sell its chips directly or indirectly to Apple (*see* PX81.11, PX81.23 (Samsung licenses to Intel allowing indirect sales by Intel)); Tr. 3543:12–24 (Apple expert Richard Donaldson testifying that license language allowing Intel to sell "indirectly" allowed sales through Intel subsidiaries). Apple's expert Tony Blevins testified that Intel indeed sold the chips indirectly to Apple, through an Intel subsidiary based in the United States, Intel Americas. *See* PX78 (Intel Americas invoices); Tr. 3170:1–4 (Blevins testimony on Intel Americas). This is exactly the type of sale that Mr. Donaldson testified was authorized by the Samsung/Intel license agreement. Thus, Mr. Donaldson's testimony, combined with Mr. Blevins's testimony, constitutes substantial evidence in the record that Intel's sales to Apple were authorized.

Samsung argues that Apple failed to present evidence that Intel took any affirmative action to sublicense Intel Americas, and thus that Samsung's authorizations to Intel did not extend to Intel America.

Samsung cites *Intel Corp. v. Broadcom Corp.*, 173 F.Supp.2d 201, 222 (D.Del.2001), in support of the argument that an affirmative act of sublicensing to Intel Americas would be necessary. However, the terms of the Samsung/Intel license agreement do not require any particular action on the part of Intel in order to license a subsidiary. In *Broadcom,* a sublicensed subsidiary was required to undertake obligations to the licensor, including cross-licensing any patents held by the subsidiary. In contrast, here there is no term in the sublicensing provision of the Samsung/Intel agreement that requires an Intel subsidiary to undertake any obligations to Samsung. *See* PX81.11–12, PX81.23. Instead, extension of sublicenses to subsidiaries is a right granted to Intel, with the only limitations being the duration of Intel's own license and the requirement to inform Samsung of any licenses upon Samsung's request. *See id.* Indeed, Apple argues that Intel was not required to take any affirmative action when sublicensing under the terms of Intel's contract with Samsung, citing language allowing "indirect" sales by Intel, and testimony that Intel Americas "send[s] invoices and collect[s] payments for Intel products." *See* Opp'n at 27. Thus, the lack of affirmative sublicensing activity does not undermine the jury's finding that Intel's sales to Apple through Intel Americas were authorized by Samsung.

Regarding the second exhaustion requirement, there is substantial evidence in the record that the authorized sales to Apple occurred in the United States. Location of sale is determined based upon where the essential activities of the sale occurred. *MEMC,* 420 F.3d at 1375–77. Apple offered evidence that both parties to the sales were based in the United States, and that payment occurred in the United

States. *See* PX78 (Intel Americas invoices). Furthermore, the jury could reasonably infer that the negotiations between the two United States corporations occurred in the United States. This is sufficient evidence to conclude that the sale occurred in the United States.

Regarding the third requirement, Samsung argues that Apple did not present sufficient evidence to satisfy the embodiment requirement for exhaustion, given that the jury found that Apple's products did not infringe Samsung's chip patents. Infringement is not necessarily required for patent exhaustion. However, for a patent to be exhausted by sale of a non-infringing product, the "only and intended use" of that non-infringing product must be infringing. *See Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 628, 128 S.Ct. 2109, 170 L.Ed.2d 996 (2008). Here, the jury found that Apple's accused devices do not infringe claims 15 and 16 of the '516 Patent. Without infringement or evidence of infringing use, there can be no exhaustion. Accordingly, the Court GRANTS Samsung's motion for judgment as a matter of law that claims 15 and 16 of the '516 Patent are not exhausted. This ruling does not change the outcome in this case because of the jury's non-infringement finding.

The Court need not reach the question of whether Apple's accused devices infringe the '516 Patent as a matter of law, because a finding of infringement would satisfy the final requirement for exhaustion—embodiment—and thus render the patent exhausted. Thus, there would be no liability. Because a ruling on Samsung's motion as to infringement of the '516 Patent cannot change the outcome of this case, the Court does not reach the issues raised in that motion.

3. Samsung's User Interface Patents: Claim 1 of the '460 Patent; Claim 10 of the '893 Patent; and Claim 9 the '711 Patent

Samsung moves for judgment as a matter of law that Apple's accused devices infringe claim 1 of U.S. Patent No. 7,577,460 ("the '460 Patent"); claim 10 of U.S. Patent No. 7,456,893 ("the '893 Patent"); and claim 9 of U.S. Patent No. 7,698,711 ("the '711 Patent"). All three of these asserted claims include a limitation involving the use of "modes." *See* '460 Patent, claim 1 ("E-mail transmission sub-mode"); '893 Patent claim 10 ("photographing mode;" "stored-image display mode"); '711 Patent claim 9 ("MP3 mode"). Apple witnesses testified that Apple's products generally use "apps" rather than "modes." *See* Tr. 3196:15–3197:5 (Dr. Dourish); Tr. 3181:2–8 (Dr. Kim); Tr. 3297:4–7; 3304:12–3306:4 (Dr. Srivastava); Tr. 3232:9–3233:8 (Dr. Givargis). *Cf.* Tr. 2482:15–2483:2 (Samsung expert Dr. Yang testifying that "application programs and modes are different"). Samsung argues that, in spite of this testimony, the record lacked substantial evidence to support the jury's findings that the accused Apple devices use "apps" instead of "modes." Samsung cites contrary testimony, including a statement by an Apple expert that could be interpreted as using "app" and "mode" interchangeably. *See* Mot. at 29 (citing Tr. 3244:8–15). The existence of competing testimony on the distinction between "apps" and "modes" does not entitle Samsung to judgment as a matter of law; it is for the jury to weigh this competing testimony and decide whether the evidence showed that the two were different.

Moreover, there is substantial expert testimony in the record to support the jury's conclusion that even if Apple's products do use modes for some purposes,

Apple's products do not include any of the *claimed* modes. *See* Tr. 3305:5–9 (Dr. Srivastava explaining that "Apple products do not have the portable phone mode; they do not have a camera mode; they do not have the first E-mail transmission sub-mode; they do not have the second E-mail transmission submode; they do not have the display sub-mode."); Tr. 3180:19–3181:8 (Dr. Kim explaining that the iPhone's "modes," such as airplane mode, are different from the iPhone's "apps"); Tr. 3232:25–3233:1 (Dr. Givargis explaining the difference between "MP3 mode" on a Samsung device and a music-playing app on an Apple device). Thus, the record contains substantial evidence to support the jury's finding that Apple's devices do not use the "modes" defined in Samsung's patents. As infringement requires the accused device to satisfy every limitation of the asserted claim, this substantial evidence that the "mode" limitation was not satisfied for any of the patents is sufficient to sustain the jury's finding of non-infringement. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that the asserted claims of the '460, '893, and '711 Patents are infringed because there is sufficient evidence in the record that Apple's accused devices do not implement their relevant user interfaces using the claimed "modes."

G. The Trial was not manifestly unfair.

Samsung argues that: (1) the trial time limitation prejudiced Samsung; (2) allowing Apple to point out to the jury which Samsung witness were not called prejudiced Samsung; (3) Samsung's witnesses were barred from making some arguments, where Apple's witnesses were allowed to make other arguments; (4) Samsung was required to lay foundation for documents while Apple was not; (5) Samsung was

forbidden to play advertisements while Apple was not; and (6) Samsung could not use depositions to cross-examine Apple's witnesses while Apple was allowed to used deposition testimony during cross examination. *See* Mot. at 30.

None of these arguments merits a new trial. First, Samsung was offered the option of bifurcating its affirmative case, but chose not to do so. *See* ECF No. 1329 at 2 (minute order and case management order following July 24, 2012 hearing). Furthermore, Samsung and Apple had equal trial time and chose how to best allocate their allotted time. *Id.* Samsung cannot now argue that its own litigation strategy created a manifest injustice that requires a new trial. As the Court observed, "Samsung made a strategic decision to spend more time to cross-examine Apple witnesses during Apple's affirmative case than Apple used to present its affirmative case." 3250:22–3251:1.

Second, Ninth Circuit and other precedent allows parties to point out each other's absent witnesses, as discussed in this Court's Order denying Samsung's Motion to Exclude Examination and Comment on Absent Witnesses, ECF No. 1721. The Court did not simply grant the parties carte blanche to discuss absent witnesses, but warned the parties that it would not tolerate "abuse" of missing witness arguments and continued to rule on missing witness argument objections on a case-by-case basis. *See id.* Moreover, Samsung pointed out in cross-examining one of Apple's experts that the expert could have, but did not, consult with Apple's inventors. Tr. 1878:9–15 ("By the way, are you aware that many of the inventors are working for Apple and they're readily accessible to you if you wanted to speak to them and ask them about their invention and what led to it and their insights

and that sort of thing? Were you aware of that that, that's available to you as an expert for Apple?"). Accordingly, Samsung has not established that it was unfairly prejudiced by Apple's absent witness arguments.

Regarding Samsung's third argument, that Samsung witnesses were unfairly prevented from making their arguments where Apple witnesses were not, the Court excluded untimely disclosed arguments regardless of which side had failed in its duty to disclose. The Court applied uniform standards in excluding testimony. *See, e.g.*, exclusion of the entire testimony of Apple's proposed witness Edward Sittler for untimely disclosure by Apple, ECF No. 1662 at 1; exclusion of testimony about the '915 Patent, the '381 Patent, and the D'308 Patent by Apple's witness Scott Forstall because of Apple's untimely disclosure, ECF No 1563 at 6.

Similarly, regarding Samsung's fourth argument, both parties were required to lay foundation for admitted documents. *See, e.g.*, Tr. 2484:21–2485:3 (sustaining Samsung's objection for lack of foundation); Tr. 1958:2–5 (requiring Apple to lay foundation before proceeding).

Regarding Samsung's fifth argument, that Samsung's advertisements were unfairly excluded where Apple's were admitted, Apple's advertisements were relevant evidence for secondary meaning and fame, elements of Apple's trade dress claims. *See* Final Jury Instructions Nos. 63 (Secondary Meaning); 66 (Fame). Samsung has not established that its advertisements were similarly relevant.

Finally, both parties were allowed to use deposition testimony, and the exclusions and admissions cited by Samsung were admitted or excluded based upon whether the theories being introduced by the parties had been disclosed timely or untimely during discovery. Samsung was allowed to play deposition testimony on cross-examination of witnesses where appropriate. *See, e.g.*, Tr. 1103:2–6 (deposition testimony played in open court during Samsung's cross-examination of Apple witness Peter Bressler).

Accordingly, the trial was fairly conducted, with uniform time limits and rules of evidence applied to both sides. A new trial would be contrary to the interests of justice.

IV CONCLUSION

For aforementioned reasons, the Court GRANTS Samsung's motion for judgment as a matter of law that claims 15 and 16 of the '516 Patent are not exhausted. The Court also grants judgment as a matter of law that Samsung's acts of patent infringement were not willful. However, for the reasons discussed below, the Court DENIES Samsung's motion for judgment as a matter of law in all other respects, and DENIES Samsung's motion for a new trial.

IT IS SO ORDERED.

APPENDIX D

926 F.Supp.2d 1100

UNITED STATES DISTRICT COURT,
N.D. CALIFORNIA,
SAN JOSE DIVISION.

Case No. 11–CV–01846–LHK.

APPLE, INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean corporation; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

March 1, 2013.

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ORDER RE: DAMAGES

LUCY H. KOH, District Judge.

In this patent case, a jury found that a range of Samsung products infringe several of Apple's design and utility patents, and that several Samsung products dilute Apple's trade dress. The jury awarded $1,049,343,540.00 in damages, and provided a breakdown of this award by Samsung product. In their post-trial motions, the parties have raised a number of issues concerning the damages in this case. Specifically, Apple has requested additur, supplemental damages, and prejudgment interest, *see* Apple's Motion for Judgment as a Matter of Law ("Apple JMOL"), ECF No. 2002, and Samsung has moved for a new trial on damages or for remittitur, *see* Samsung's Motion for Judgment as a Matter of Law ("Samsung JMOL"), ECF No. 2013. The Court will address each of these requests in turn.

I. ADDITUR

Apple has requested that the Court increase the damages award for five products because the jury awarded less than the amount calculated by Samsung's damages expert.[1] *See* Apple JMOL at 18. However,

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[1] Apple also suggests that the Court should ignore the product-by-product amounts provided by the jury, and should consider only the aggregate total amount. However, Apple provides no

there is a longstanding rule that the Seventh Amendment prohibits a judicial increase in a damages award made by a jury. *See Dimick v. Schiedt*, 293 U.S. 474, 486–87, 55 S.Ct. 296, 79 L.Ed. 603 (1935). Apple argues that that prohibition does not apply here because there is no dispute about the proper amount of damages. That is simply not the case. The amount of damages is heavily disputed here, as evidenced by extensive testimony provided by both parties concerning the proper amount of compensation. The jury was "not bound to accept the bottom line provided by any particular damages expert," *In re First Alliance Mortg. Co.*, 471 F.3d 977, 1002 (9th Cir.2006), but rather was free to evaluate the testimony of both sides' experts in arriving at its award. It is not the proper role of the Court to second-guess the jury's factual determination as to the proper amount of compensation. Accordingly, Apple's motion for an increase in the jury's damages award is DENIED.

II. SUPPLEMENTAL DAMAGES

Apple seeks an award of supplemental damages for infringing sales not considered by the jury. The Court agrees that an award of supplemental damages is necessary here. Section 284 requires that the Court award compensation for every infringing sale, and the Federal Circuit has held that where the jury does not make an award, the Court must do so. *See Finjan, Inc. v. Secure Computing Corp.*, 626 F.3d 1197 (Fed.Cir.2010). The parties do not dispute that there are sales for which the jury did not make an award, because they occurred after the trial had concluded.

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authority for the argument that the Court should not consider the jury's specific findings. The Court will thus consider the jury's award for each product.

Because the Court must make an award for any sale for which the jury did not, an award of supplemental damages is required.

There are three primary issues the Court must address in resolving Apple's request for supplemental damages: (1) the date from which the award should begin; (2) whether the law permits supplemental damages for post-verdict sales where an award of infringer's profits is made pursuant to 35 U.S.C. § 289; and (3) the proper method for calculating post-verdict damages in a case where the jury made no determination as to royalty rate.

First, regarding the date from which the award should be made, Apple argues that the supplemental damages award should include sales beginning on July 1, 2012, because the evidence presented to the jury ran only through June 30, 2012. Samsung argues that the jury considered all the sales made through the date of the verdict, whether or not explicit evidence of those sales was presented at trial, and thus, the supplemental damages award should begin on August 25, 2012 (the day after the verdict). There is no clear statement in the case law as to which approach is correct. While it is true that the jury did not hear evidence of sales between June 30 and August 24, it is also possible that the jury considered this fact in arriving at its ultimate award. Thus, there are reasons to support either date. However, the Federal Circuit recently affirmed a portion of a district court order refusing to grant supplemental damages for sales made before the verdict. The Court explained that the Plaintiff "could have-but did not-argue to the jury that its suggested amount . . should be proportionally increased for the two months not accounted for in the sales data," and that "[u]nder these circumstances,

awarding additional amounts of damages incurred before trial would be an improper invasion of the jury's province to determine actual damages and an inappropriate use of 35 U.S.C. § 284 to enhance inadequate compensatory damages." *Presidio Components Inc. v. Am. Technical Ceramics Corp.*, 08–CV–335–IEG, 2010 WL 3070370 (S.D.Cal. Aug. 5, 2010) *aff'd in part, vacated in part*, 702 F.3d 1351 (Fed.Cir.2012) (internal citation omitted). The same is true here; nothing precluded Apple from arguing that the jury should consider sales from June 30 through August 24, or from presenting evidence on how to estimate such sales. Thus, consistent with the *Presidio Components* decision, the Court intends to calculate the supplemental damages award beginning on August 25, 2012, the day after the verdict.

Second, regarding the question of whether a supplemental damages award is appropriate where the jury's award was made, at least in part, pursuant to § 289, the law is not clear. Both parties have made arguments, but neither party has cited, and the Court is not aware of, any cases squarely addressing the issue of whether supplemental damages are appropriate for an award of infringer's profits made under § 289.

Samsung argues that no supplemental damages may be awarded where the jury's award included infringer's profits under § 289, because the purpose of supplemental damages is purely to compensate the plaintiff, where an award of infringer's profits goes beyond compensation. This argument is belied by the approach courts have taken to enhancements in the context of supplemental damages. Specifically, courts have allowed a supplemental damages award pursuant to § 284 to be doubled for continuing willful infringement. *See Aero Products Int'l, Inc. v. Intex*

Recreation Corp., 02 C 2590, 2005 WL 1498667 (N.D.Ill. June 9, 2005). This outcome is clearly inconsistent with Samsung's contention that supplemental damages serve solely to compensate. Moreover, courts have recognized that supplemental damages serve to prevent the "inefficient and unhelpful" outcome of a second suit being filed to collect damages for post-verdict, prejudgment sales. *Hynix Semiconductor Inc. v. Rambus Inc.*, 609 F.Supp.2d 951, 961 (N.D.Cal.2009). Damages under § 289 would be available in a follow-on suit, and so should be available in this procedure designed to avoid such a suit.

Moreover, although § 289 does not contain § 284's explicit instruction that "[w]hen the damages are not found by a jury, the court shall assess them," § 289 does specify that "[n]othing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title." However, in cases where both design and utility patents are infringed in a single product, an award made pursuant to § 289 compensates plaintiffs for both types of infringement. *See Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1291 (Fed.Cir.2002). A prohibition on supplemental damages where an award is made pursuant to § 289 would thus run afoul of this requirement that other patent remedies, which include supplemental damages, remain available.

In sum, the purposes of supplemental damages and the text of §§ 284 and 289 indicate that supplemental damages are, indeed, available for awards made pursuant to § 289, in addition to awards made pursuant to § 284.

Finally, regarding the proper method for calculating supplemental damages, as other courts in this district have noted, the cases discussing supplemental damages in the patent context are few. *See Hynix*, 609 F.Supp.2d at 960. In most of those cases, a jury determined what the appropriate royalty rate would be, allowing the court to simply apply the jury's stated methodology to the proven or estimated post-verdict sales. *See, e.g., Finjan*, 626 F.3d at 1212 ("The district court granted Finjan additional damages by multiplying the jury's royalty rates against previously uncalculated sales."); *Hynix*, 609 F.Supp.2d at 964 ("Although the existing case law on supplemental damages does not explain why, it recommends applying the royalty rates determined by the jury."); *see also Presidio Components*, 702 F.3d 1351. Here, the jury did not make a finding as to the appropriate royalty rate, and the Court cannot now do so without trenching on Samsung's Seventh Amendment right to a jury trial on that issue. *See Boston Scientific Corp. v. Johnson & Johnson*, 550 F.Supp.2d 1102, 1122 (N.D.Cal.2008) ("Even if there were evidence sufficient for the Court, as opposed to the jury, to determine a reasonable royalty, doing so at this point would violate BSC's Seventh Amendment rights."). However, in applying the same royalty rate used by the jury, courts have explained that the rationale for continuing the jury's award, rather than using some other method, is that there is an "absence of any meaningful distinction between pre-verdict and post-verdict infringement." *Hynix*, 609 F.Supp.2d at 965. Under this rationale, it would be appropriate for the Court to attempt to award supplemental damages consistent with the jury's award.

In this case, Apple has proposed dividing the jury's total damages award for all products by the total number of sales for all products to determine a per-sale amount, which the Court could then multiply by the number of post-verdict sales. The Court does not find this type of averaging appropriate, as the jury's awards for different products differed significantly, and only a few of the products for which the jury made an award have remained on the market post-verdict. Rather, it would be more appropriate to determine the per-sale amount on a product-by-product basis, and use that per-sale amount to determine the supplemental damages amount for each product that has remained on the market for any post-verdict period. Because the jury returned an award for each product separately, the Court can simply divide the jury award for each product by that product's number of sales to calculate this per-product amount.

This leaves the question of the actual number of post-verdict sales. Apple has proposed an elaborate method of estimating the appropriate number of sales. The Court finds that there is no need to estimate because the parties can present evidence of the actual number of sales. Moreover, courts have found it appropriate to delay orders for the submission of such evidence and hearings thereon pending the resolution of appeals, to "avoid potentially unnecessary expenditures of time and money in preparing such an accounting." *Itron, Inc. v. Benghiat*, 2003 WL 22037710, at *16 (D.Minn.2003); *see also Eolas Technologies, Inc. v. Microsoft Corp.*, 2004 WL 170334 at *8 (N.D.Ill.2004), *vacated in part on other grounds*, 399 F.3d 1325 (Fed.Cir.2005) ("I grant the motion and will require an accounting after any appeal in this case is terminated."). In the instant case, one of this Court's post-trial orders has already been appealed to the

Federal Circuit, and the parties have indicated that more appeals are anticipated. Moreover, as discussed above, there are complex issues with regard to supplemental damages for which there is no clear precedent. Thus, proceeding without the Federal Circuit's guidance may cause unnecessary expenditures of time and resources. Given the number and complexity of the issues in this case that remain unresolved, the Court finds that it would be appropriate to delay the consideration of evidence of actual post-verdict sales until after the completion of the appeals in this case.

III. PREJUDGMENT INTEREST

The purpose of prejudgment interest is to "compensate[ ] the patent owner for the use of its money between the date of injury and the date of judgment." *Oiness v. Walgreen Co.*, 88 F.3d 1025, 1033 (Fed. Cir.1996). The Court has considerable discretion in awarding prejudgment interest in patent cases. *See Bio–Rad Labs., Inc. v. Nicolet Instrument Corp.*, 807 F.2d 964, 969 (Fed.Cir.1986). However, "prejudgment interest should ordinarily be awarded absent some justification for withholding such an award." *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 657, 103 S.Ct. 2058, 76 L.Ed.2d 211 (1983). Although *Devex* addressed a royalty award under § 284, the Federal Circuit has also upheld awards of prejudgment interest on awards of infringer's profits under § 289. *See Catalina Lighting*, 295 F.3d at 1292.

Several of the products for which the jury made a damages award here involved not just patent infringement, but also Lanham Act claims, and thus resulted in damages awards that, pursuant to *Aero Products Intern., Inc. v. Intex Recreation Corp.*, 466

F.3d 1000 (Fed.Cir.2006), compensate Apple for both trade dress dilution and patent infringement. The law is not clear on whether prejudgment interest may be awarded for Lanham Act claims. The Ninth Circuit has suggested that prejudgment interest is not available for Lanham Act claims not involving counterfeiting. *See Moscow Distillery Cristall v. Pepsico, Inc.*, 141 F.3d 1177 (9th Cir.1998) ("Prejudgment interest is available under the Lanham Act only for counterfeiting."). On the other hand, the Ninth Circuit has also upheld an award of prejudgment interest in a Lanham Act case that did not involve counterfeiting. *See Clamp Mfg. Co., Inc. v. Enco Mfg. Co., Inc.*, 870 F.2d 512, 514 (9th Cir.1989).

However, the Court sees no need to resolve this conflict here. An award that is made to compensate both for trade dress dilution and for patent infringement is, in part, an award for patent infringement. *See Aero Products*, 466 F.3d at 1019. Because prejudgment interest is clearly appropriate for this award based on patent infringement, the Court finds that there would be no reason to forbid prejudgment interest simply because the award also compensates for a Lanham Act violation, even if the Lanham Act did not separately authorize prejudgment interest. Thus, the Court finds that Apple is entitled to prejudgment interest.

The parties have proposed two different rates for calculating interest. Apple has proposed the prime rate. Apple JMOL at 29. Samsung suggests that the lower 52–week Treasury bill rate would be more appropriate here. Samsung Opp'n at 30. In determining the appropriate rate, courts have considered whether, during the period of infringement, the plaintiff "borrowed money at a higher rate, what that rate was, or that there was a causal connection

between any borrowing and the loss of the use of the money awarded as a result of [the defendant's] infringement." *Laitram Corp. v. NEC Corp.*, 115 F.3d 947, 955 (Fed.Cir.1997). Such factors would make an award at a higher rate more appropriate. Here, Apple maintains substantial cash reserves and there is no evidence that Apple borrowed any money because it was deprived of the damages award. Thus here, as in *Laitram*, the Court finds that the 52–week Treasury Bill Rate is sufficient.

The parties also disagree about the appropriateness of compounding: Apple is in favor of annual compounding, and Samsung objects to any compounding. The Federal Circuit has explained that "the determination whether to award simple or compound interest similarly is a matter largely within the discretion of the district court," and that both simple and compound interest awards have been upheld. *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 557 (Fed.Cir.1984). Apple has submitted expert evidence that compounding is appropriate here, *see* Robinson Decl. at ¶ 18 & Exh. 4, and Samsung has presented no evidence to the contrary. The Court finds that compounding more closely approximates the actual borrowing costs Samsung would have faced. Accordingly, when the appeals are resolved, and the final damages amount settled, the Court will award prejudgment interest at the 52–week Treasury Bill Rate, compounded annually.

IV JURY'S DAMAGES AWARD

A. Permissibility of examining nature of award

Samsung argues that it is apparent, from the damages amount the jury returned, that some of the awards rested on impermissible legal theories. Apple

argues that the Court should not consider how the jury arrived at its award, but should rather only look at the final number, and consider whether that number could have been supported by the evidence in the record as a whole.

Apple is correct that courts are generally required to give great deference to jury awards, and to uphold them where they are supportable by the evidence in the record. *See Los Angeles Mem'l Coliseum Comm'n v. NFL*, 791 F.2d 1356 (9th Cir.1986); *Yeti by Molly Ltd. v. Deckers Outdoor Corp.*, 259 F.3d 1101 (9th Cir.2001); *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 563 F.3d 1358 (Fed.Cir.2009). These cases address the general question of whether a damages award is supported by sufficient evidence in the record. However, the Ninth Circuit case most analogous to the present case recognized an exception to this general principle of deference in cases where it is readily apparent from the numbers that the jury applied an impermissible legal theory in arriving at its award. *See In re First Alliance Mortgage Co.*, 471 F.3d 977 (9th Cir.2006). In *First Alliance Mortgage*, the Ninth Circuit observed that the jury's damages number was the precise numerical average "to the dollar" of the amounts proposed by the two competing damages experts. *Id.* at 1002. One of the experts, however, presented a theory that the Court had ruled legally impermissible. Though the Court gave a curative instruction, explicitly telling the jury that it was not allowed to apply that theory, the amount of the award made plain that the jury had applied the impermissible theory anyway. Because the award was clearly based in part on an impermissible legal theory, the Ninth Circuit held that it had been error for the district court to "bend over backwards" to identify some conceivable theory on which the jury might

properly have made the same award. The Federal Circuit has applied similar reasoning (though never in a case dispositive manner). *See Lucent Technologies v. Gateway*, 580 F.3d 1301, 1303 (Fed.Cir.2009).

In this case, it is apparent that the jury awarded 40% of Apple's expert Terry Musika's calculation of Samsung's profits for a wide range of products, and in some cases, added the same expert's calculation for Apple's lost profits. Moreover, it is clear that for several products, the jury awarded exactly half of the reasonable royalty award proposed by Mr. Musika. As in *First Alliance Mortgage*, these numbers are "to the dollar;" it is thus quite apparent how the jury arrived at them. Indeed, Apple does not dispute this inference in its opposition, relying instead on the purported impermissibility of acknowledging what is apparent. The chart below details the formulas the jury apparently used. All percentages correspond to an exact and consistent percentage of the amount Mr. Musika testified was warranted for each category.

Samsung Product	Jury Award	Formula
Captivate	$ 80,840,162	40% of Samsung's Profits
Continuum	$ 16,399,117	40% of Samsung's Profits
Droid Charge	$ 50,672,869	40% of Samsung's Profits

Epic 4G	$130,180,896	40% of Samsung's Profits
Exhibit 4G	$ 1,081,820	50% of Apple's Royalties
Fascinate	$143,539,179	100% of Apple's Lost Profits + 40% of Samsung's Profits
Galaxy Ace	$0	n/a (no award)
Galaxy Prevail	$ 57,867,383	40% of Samsung's Profits
Galaxy S (i9000)	$0	n/a (no award)
Galaxy S 4G	$ 73,344,668	100% of Apple's Lost Profits + 40% of Samsung's Profits
Galaxy S II AT & T	$ 40,494,356	40% of Samsung's Profits
Galaxy S II i9100	$0	n/a (no award)

Galaxy S II T–Mobile	$ 83,791,708	40% of Samsung's Profits
Galaxy S II Epic 4G Touch	$100,326,988	40% of Samsung's Profits
Galaxy S II Skyrocket	$ 32,273,558	40% of Samsung's Profits
Galaxy S II Showcase	$ 22,002,146	100% of Apple's Lost Profits + 40% of Samsung's Profits
Galaxy Tab	$ 1,966,691	50% of Apple's Royalties
Galaxy Tab 10.1 WiFi	$ 833,076	n/a (no calculation apparent)
Galaxy Tab 10.1 4G LTE	$0	n/a(no award)
Gem	$ 4,075,585	40% of Samsung's Profits
Indulge	$ 16,011,184	40% of Samsung's Profits

Infuse 4G	$ 44,792,974	40% of Samsung's Profits
Intercept	$0	n/a (no award)
Mesmerize	$ 53,123,612	100% of Apple's Lost Profits + 40% of Samsung's Profits
Nexus S 4G	$ 1,828,297	50% of Apple's Royalties
Replenish	$ 3,350.256 [sic]	50% of Apple's Royalties
Transform	$ 953,060	50% of Apple's Royalties
Vibrant	$ 89,673,957	100% of Apple's Lost Profits + 40% of Samsung's Profits

Under *First Alliance Mortgage*, this Court cannot ignore the import of these numbers, even if the evidence as a whole could have supported an award of a similar, or even higher, amount. Accordingly, the Court will consider which of these awards entailed the

use of an impermissible legal theory, and what the appropriate response is.

B. Appropriate Response to Excessive Award

When a Court detects an error in the jury's damages verdict, the Court has two choices: the Court may order a new trial on damages, or the Court may reduce the award to a supportable amount. If the Court chooses the latter option, known as remittitur, the prevailing party then has the option of demanding a new trial on damages or accepting the reduced award. *See, e.g., Hynix Semiconductor Inc. v. Rambus Inc.*, No. CV–00–20905–RMW, 2006 WL 1991760 (N.D.Cal. July 14, 2006).

The Court generally may not award any amount lower than the maximum amount that would have been supportable by the evidence. *See D & S Redi–Mix v. Sierra Redi–Mix & Contracting Co.*, 692 F.2d 1245, 1249 (9th Cir.1982) ("Although this circuit has not stated its position, others consistently approve remitting the judgment to the maximum amount sustainable by the proof. This rule prevents the court's substitution of its judgment for that of the jury. We adopt this standard.") (internal citations omitted). The Federal Circuit also uses this so-called "maximum recovery rule." *See Unisplay, S.A. v. Am. Elec. Sign Co., Inc.*, 69 F.3d 512, 519 (Fed.Cir.1995)("When calculating an amount to remit, in order to encourage use of the efficient remittitur option, we will follow the 'maximum recovery rule,' which requires that the determination be based on the highest amount of damages that the jury could properly have awarded based on the relevant evidence."). The theory underlying this practice is that it carries out the jury's intention to the extent permissible by law, and thus

remains consistent with both parties' Seventh Amendment right to a jury trial. *See Dimick*, 293 U.S. at 486, 55 S.Ct. 296 ("Where the verdict is excessive, the practice of substituting a remission of the excess for a new trial is not without plausible support in the view that what remains is included in the verdict along with the unlawful excess-in that sense that it has been found by the jury-and that the remittitur has the effect of merely lopping off an excrescence.").

However, there is an exception to this rule, wherein the Court may remit an excess amount where the excess is readily identifiable as such, even if the resulting award does not necessarily correspond to the maximum amount supportable by the evidence. *See, e.g., Cornell Univ. v. Hewlett–Packard Co.*, 609 F.Supp.2d 279, 292 (N.D.N.Y.2009) *amended*, 01–CV–1974, 2009 WL 1405208 (N.D.N.Y. May 15, 2009) (Rader, J., by designation) (multiplying jury's explicitly stated royalty rate by lower royalty base Court found as a matter of law); *Joiner Sys., Inc. v. AVM Corp., Inc.*, 517 F.2d 45, 49 (3d Cir.1975) (jury calculated damages per square feet and number of square feet; Court found a lower number of square feet supportable by evidence, and multiplied jury's amount per square foot by the new, smaller number of square feet). Though the jury in the present case did not make an explicit finding as to what percentage of Apple's requested amount it deemed appropriate for each product, it is apparent from the amount of the award, which is "to the dollar" an exact and consistent percentage of Mr. Musika's amount. *See First Alliance Mortgage*, 471 F.3d 977. Thus, this multiplier is analogous to a jury's finding of an appropriate royalty rate. Accordingly, where the Court can detect a specific amount that ought to be subtracted from the award because of an identifiable error while otherwise

preserving the jury's findings as to damages, the Court may offer Apple the option of remittitur in that amount, or a new trial.

The Court will now consider each of Samsung's allegations of error in the jury's award, and will determine which of these responses is appropriate for each situation.

C. Specific allegations of error

1. Design Patent / Trade dress apportionment

First, Samsung argues that for Apple to be entitled to Samsung's profits for design patent infringement, Apple was required to prove which portions of Samsung's profits were earned by the patented design features. Samsung reasons that Apple's expert presented a damages calculation for all of Samsung's profits on the design-patent-infringing products, but that Apple never proved that Samsung's alleged acts of design patent infringement were responsible for all of Samsung's profits. Thus, Samsung argues, each award that includes an award of Samsung's profits for design patent infringement must be set aside.

This argument is clearly foreclosed by Federal Circuit precedent. As explained in *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1442–43 (Fed. Cir.1998), Congress specifically drafted the design patent remedy provisions to remove an apportionment requirement that the Supreme Court had imposed. Thus, there is simply no apportionment requirement for infringer's profits in design patent infringement under § 289.

Next, Samsung argues that Apple presented no evidence that could have supported the jury's award of Samsung's profits for trade dress dilution. However,

there are no products for which the jury found trade dress dilution without design patent infringement. Thus, the jury's award for these products could be supported by design patent infringement alone, which, as explained above, does not require apportionment. Therefore, even if there were no evidence to support a trade dress dilution award, the award as a whole would be supportable on the basis of design patent infringement. Because the award as a whole is supportable irrespective of Samsung's trade dress apportionment theory, the Court need not consider whether there was sufficient evidence in the record to independently justify the jury's award for these products on the basis of trade dress dilution. In sum, the Court finds that the jury's award is not excessive on the basis of apportionment for design patent or trade dress damages.

2. Entitlement to lost profits

Samsung next argues that Apple has not established entitlement to lost profits, and that accordingly, all of the awards that include a lost profits component must be set aside. "To recover lost profits, 'a patent owner must prove a causal relation between the infringement and its loss of profits.' In other words, the burden rests on the patentee to show a reasonable probability that 'but for' the infringing activity, the patentee would have made the infringer's sales." *Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1353 (Fed.Cir.2001)(quoting *BIC Leisure Prods., Inc. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214, 1218, 27 U.S.P.Q.2d 1671, 1674 (Fed. Cir.1993)). The Court's task here is to review whether there is sufficient evidence to support a jury's lost profit award. *See Crystal Semiconductor*, 246 F.3d at 1355–57 ("Between Crystal's unadjusted market

share, the testimony of TriTech's and OPTi's experts, and the testimonies of Crystal's other fact witnesses, the record supplied sufficient evidence to support the jury's 35% lost profit award"); *Ericsson, Inc. v. Harris Corp.*, 352 F.3d 1369, 1377 (Fed.Cir.2003) ("We agree with Ericsson that substantial evidence supports the jury's damages award for lost profits due to lost sales.").

Here, Apple presented the testimony of Apple's damages expert, Terry Musika. Mr. Musika provided detailed evidence regarding how the market would likely have behaved absent Samsung's infringement, including: (1) the market share of various smartphone manufacturers, based on data collected and analyzed by independent research firm IDC (including Apple, Samsung, and other manufacturers, to whom he assigned the largest market share)(PX25A1.8; Tr.2084:23–2085:9); (2) Apple's capacity to manufacture additional phones and tablets (PX25A1.14–15; Tr.2085:13–2086:3); and (3) consumer demand, based on both expert survey evidence and fact witness testimony (Tr.2076:3–2077:8). The Federal Circuit has noted that it "has affirmed lost profit awards based on a wide variety of reconstruction theories where the patentee has presented reliable economic evidence of 'but for' causation." *Crystal Semiconductor*, 246 F.3d at 1355. Mr. Musika's opinion reconstructs the market based on market share, capacity, and demand, thus demonstrating how many additional sales Apple would likely have made, but for Samsung's infringement. This constitutes exactly the type of economic evidence of causation that the Federal Circuit requires in sustaining an award of lost profits. Accordingly, the Court finds that the record supported a jury award of lost profits. The Court thus declines to set aside the jury's damages awards that include Apple's lost profits

on the grounds that Apple has not proven entitlement to lost profits.

3. The Galaxy Prevail: Award of Samsung's Profits

For the Galaxy Prevail, the jury awarded $57,867,383, which is 40% of Apple's calculation of Samsung's profits. The Galaxy Prevail, however, was found to infringe only utility patents. As the Court instructed the jury, infringer's profits are not a legally permissible remedy for utility patent infringement. *See* Final Jury Instruction Nos. 36 (utility patent lost profits); 40 (utility patent reasonable royalty); 54 (design patent defendant's profits); 55 (design patent lost profits); 56 (design patent reasonable royalty). Accordingly, as in *First Alliance Mortgage*, it is apparent that the jury failed to follow the Court's instructions on the law, and awarded damages based on a legally impermissible theory. This award cannot stand.

The jury's award was apparently based on Samsung's profits, which is an impermissible type of compensation for utility patent infringement. Thus, rather than including some identifiable portion of excess, such as particular sales for which there should have been no damages, the entire award was tainted. Further, the jury did not award the full amount Apple requested for Samsung's lost profits, but rather awarded only 40% of Apple's requested amount of $142,893,684. Thus, it does not appear that awarding the full amount that Apple requested for either of the two permissible forms of compensation for utility patents (Apple's lost profits, for which Apple requested $8,573,370, or a reasonable royalty, for which Apple provided no calculation), which is the usual method for calculating a remittitur, could reasonably be thought to represent

the jury's award, stripped only of the impermissible excess. *Cf. Dimick*, 293 U.S. at 486, 55 S.Ct. 296. Accordingly, the Court cannot reasonably and fairly calculate an appropriate remittitur.

Nor can the Court, having identified the impermissible legal theory on which the jury made its award, turn a blind eye or "bend over backwards" to find a possible permissible justification for the amount awarded. *See First Alliance Mortgage*, 471 F.3d at 977. Accordingly, the Court hereby ORDERS a new trial on damages for the Galaxy Prevail.

4. Notice dates

Samsung next contends that a new trial is warranted, or, in the alternative, that the Court should remit the jury's award, because the jury based its awards on Mr. Musika's calculations that used a notice date that was not supported by any evidence at trial. This argument is essentially two separate motions: (1) a motion for judgment as a matter of law that the evidence does not support any notice dates earlier than the filing of the relevant complaints for any patent except the '381 Patent; and (2) a motion for new trial on damages or remittitur because the jury made its award based on incorrect early notice dates. The Court will address the question of appropriate notice dates first, and will then consider what effect this may have on the damages award.

Under 35 U.S.C. § 287(a), there can be no damages award where a defendant did not have actual or constructive notice of the patent or registered trade dress at issue. Thus, it is improper to award damages for sales made before the defendant had notice of the patent, and an award that includes damages for sales made before notice of any of the intellectual property

("IP") infringed is excessive as a matter of law. Moreover, different types of IP allow for different types of damages awards. Specifically, damages for utility patent infringement may take the form of lost profits or a reasonable royalty, *see* 35 U.S.C. § 284; damages for trade dress dilution may take the form of lost profits and/ or infringer's profits, *see* 15 U.S.C. § 1125; and damages for design patent infringement may include lost profits, a reasonable royalty, or infringer's profits, *see* 35 U.S.C. § 289. Accordingly, it is also erroneous to award infringer's profits for a time period where the defendant had notice only of utility patents, because infringer's profits are not an authorized form of damages for utility patent infringement.

The parties dispute whether Apple had given Samsung notice of each of the patents prior to the filing of the complaint and the amended complaint, which the parties agree gave Samsung notice of all of the asserted IP. Regarding the '381 Patent, Apple has presented evidence that Apple specifically put Samsung on notice of that patent in a meeting between Apple and Samsung on August 4, 2010. *See* PX52.12–PX52.16 (Apple's presentation listing specific patents, including the '381 Patent). Samsung argues that there is no evidence that Apple gave Samsung actual notice of alleged infringement of any specific patents other than the '381 Patent prior to the filing of the complaint on April 15, 2011, which gave notice of three Apple patents and Apple's registered trade dress, or the amended complaint on June 16, 2011, which gave notice of all the remaining Apple patents. Apple argues that the August 4, 2010 meeting put Samsung on sufficient notice of all of the asserted IP, even though the specific list of patents included only the '381 Patent.

Section 287 requires not only notice that a product allegedly infringes some unspecified patents, but notice of what specific patent the product is accused of infringing. This notice can be accomplished by marking the patented product with the patent number ("constructive notice"). *See* 35 U.S.C. § 287(a); *Minks v. Polaris Indus., Inc.*, 546 F.3d 1364, 1376–77 (Fed.Cir.2008); *Funai Elec. Co., Ltd. v. Daewoo Elecs. Corp.*, 616 F.3d 1357, 1373 (Fed.Cir.2010). Alternatively, a notice can be delivered directly to the accused infringer ("actual notice"). *Funai*, 616 F.3d at 1373. Like constructive notice, actual notice appears to require that the accused infringer be informed of the specific patents it is accused of infringing. *See, e.g.*, *Minks*, 546 F.3d at 1366–67 (conducting notice analysis for a specific patent); *Gart v. Logitech, Inc.*, 254 F.3d 1334, 1346–47 (Fed.Cir.2001)(same).

Apple contends that notice need not identify the specific patent at issue. However, Apple cites only one case finding actual notice without actual disclosure of a specific patent number, a 1992 case from the District of Massachusetts that does not itself cite any case holding that actual notice is possible without an actual patent number. *See Ceeco Machinery Manufacturing, Ltd. v. Intercole, Inc.*, 817 F.Supp. 979 (D.Mass.1992).

As an initial matter, *Ceeco* was an unusual case. The *Ceeco* Court explained that:

> To the extent that [the plaintiff's] warning was less explicit than would typically be required, [the defendant] appears to be largely responsible ... By [defendant's] own admission, [defendant] continued to reassure [plaintiff] that it had not purchased [an accused machine] well after it in fact had. The provision for giving actual notice would be

> rendered meaningless if defendants could evade such notice by deliberately concealing their infringement.

817 F.Supp. at 987. In other words, the plaintiff did not give specific notice because the defendant continued to lie to the plaintiff to deliberately conceal defendant's infringement. There are no allegations of such deception here.

Furthermore, the *Ceeco* Court reasoned that if a defendant knows that its product is accused of infringing some unspecified patent that also covers a known competitor product, that defendant has sufficient notice of the patent, even without specific knowledge of the actual patent at issue. This reasoning is unpersuasive, and has never been adopted by the Federal Circuit. This kind of non-specific notice is insufficient because a patent may have a broad or narrow scope, and a product may be covered by a multitude of patents, and also include many unpatented features. Mere notice that some unknown patent allegedly covers some aspect of both the accused product and the competitor product does not provide meaningful notice as to what patented territory the accused device is alleged to infringe upon. The wide variety of patents covering the complex products in this very case illustrates this problem well. In sum, the Court finds that where a plaintiff relies on actual, rather than constructive notice, the notice must include the specific patents at issue.

Apple argues that Samsung received actual notice for all of its asserted acts of infringement at the August 4, 2010 meeting between the parties. However, Apple cites no evidence whatsoever that any patent-in-suit other than the '381 Patent was specifically identified during the meeting. Instead, Apple points to

general comparisons drawn at that meeting between the industrial design and user interfaces of the iPhone 3GS and the Galaxy S, as well as references to general "user interface" patents. *See* PX52 (Apple's presentation). A side-by-side comparison of the iPhone 3GS and the Galaxy S that implies that the iPhone 3GS embodies some unspecified design and utility patents that may be infringed by the Galaxy S, however, does not provide notice of the specific patents alleged to be infringed, as required to satisfy § 287(a)'s notice requirement. Accordingly, the Court finds that the August 4, 2010 date is not supported by evidence in the record for any patent other than the '381 Patent.

Apple does not suggest that any notice occurred between the August 4, 2010 meeting and the filing of the original complaint on April 15, 2011. The original complaint gave Samsung notice of the '915 and D'677 Patents. Thus, the correct notice date for the '915 and D'677 Patents is April 15, 2011.

Apple also does not suggest any notice occurred on any date between the April 15, 2011 filing of the original complaint, and the filing of the amended complaint on June 16, 2011. The amended complaint gave Samsung notice of the '163, D'305 D'889 and D'087 Patents. Thus, the correct notice date for the '163, D'305 D'889 and D'087 Patents is June 16, 2011.

In sum, Samsung is entitled to judgment as a matter of law that the earliest notice dates supported by the evidence are: August 4, 2010 for the '381 patent; April 15, 2011 for the '915 and D'677 Patents; and June 16, 2011 for the '163, D'305, D'889 and D'087 Patents.

The damages numbers Mr. Musika presented to the jury were based on the August 4, 2010 notice date for all patents. *See* PX25A at 4, 5. Thus, the jury's awards

for patent infringement, which are based on Mr. Musika's numbers using the early notice dates, may have contained some amount of excess compensation covering the period before Samsung had notice of the relevant IP, depending on the combination of IP infringed. The following chart indicates the correct notice dates, available remedies, and infringing products for each form of IP:

IP	Notice Date	Available Remedies[2]	Products Infringing
'381 Patent	August 4, 2010	Reasonable Royalty or Lost Profits	Captivate, Continuum, Droid Charge, Epic 4G, Exhibit 4G, Fascinate, Galaxy Ace, Galaxy Prevail, Galaxy S i9000, Galaxy S 4G, Galaxy S II AT & T, Galaxy S II

[2] A reasonable royalty represents the minimum amount of permissible damages for utility and design patent infringement. *See* 35 U.S.C. § 284. Plaintiffs are entitled to lost profits instead of a reasonable royalty only if they can prove that but for the infringement, they would have earned those profits. *See Crystal Semiconductor*, 246 F.3d at 1354 ("[A] patentee may obtain lost profit damages for that portion of the infringer's sales for which the patentee can demonstrate 'but for' causation and reasonable royalties for any remaining infringing."). In addition, for design patent infringement, 35 U.S.C. § 289 also provides "an alternate remedy" of infringer's profits, *see Nike*, 138 F.3d at 1439, which a plaintiff may seek in lieu of lost profits or a reasonable royalty.

			i9100, Galaxy Tab, Galaxy Tab 10.1 WiFi, Gem, Indulge, Infuse 4G, Mesmerize, Nexus S 4G, Replenish, Transform, Vibrant
'915 Patent	April 15, 2011 (original complaint)	Reasonable Royalty or Lost Profits	Captivate, Continuum Droid Charge, Epic 4G, Exhibit 4G, Fascinate, Galaxy Prevail, Galaxy S i9000, Galaxy S 4G, Galaxy S II AT & T, Galaxy S II i9100, Galaxy S II T–Mobile, Galaxy Tab, Galaxy Tab 10.1 WiFi, Gem, Indulge, Infuse 4G, Mesmerize, Nexus S 4G, Transform, Vibrant
D'677 Patent	April 15, 2011 (original	Infringer's Profits or Reasonable	Fascinate, Galaxy S i9000, Galaxy S 4G, Galaxy S II

	complaint)	Royalty or Lost Profits	AT&T, Galaxy S II i9100, Galaxy S II T–Mobile, Galaxy S II Epic 4G Touch, Galaxy S II Skyrocket, Galaxy S Showcase i500, Infuse 4G, Mesmerize, Vibrant
Registered Trade Dress	April 15, 2011 (original complaint)	Infringer's Profits and Lost Profits (actual damages)	Fascinate, Galaxy S 4G, Galaxy S II AT & T, Galaxy S Showcase i500, Mesmerize, Vibrant
D'889 Patent	June 16, 2011 (amended complaint)	Infringer's Profits or Reasonable Royalty or Lost Profits	None
D'087 Patent	June 16, 2011 (amended complaint)	Infringer's Profits or Reasonable Royalty or Lost Profits	Galaxy S i9000, Galaxy S 4G, Vibrant
D'305 Patent	June 16, 2011 (amended	Infringer's Profits or Reasonable	Captivate, Continuum, Droid

	complaint)	Royalty or Lost Profits	Charge, Epic 4G, Fascinate, Galaxy S i9000, Galaxy S 4G, Galaxy S Showcase i500, Gem, Indulge, Infuse 4G, Mesmerize, Vibrant
Unregistered trade dress	N/A	Infringer's Profits and Lost Profits (actual damages)	Fascinate, Galaxy S i9000, Galaxy S Showcase i500, Mesmerize, Vibrant

Apple has provided to the Court and to the jury the numbers necessary to calculate the infringer's profits and reasonable royalty awards based on Mr. Musika's damages numbers, but with later notice dates. Thus, the Court can, for some products, calculate how much of the jury's award compensated for the sales before Samsung had notice of the relevant IP. Indeed, where the award simply compensated for too many sales, the situation is analogous to cases in which the jury used a royalty base that was not supported by the evidence, and the Court found it permissible to multiply the royalty rate by the correct royalty base. *See Cornell Univ.*, 609 F.Supp.2d at 292. For the products where this type of error occurred, the Court can calculate the appropriate remittitur by multiplying the corrected maximum damages amount, adjusted per Mr. Musika's instructions (*see* Tr. at 2073:21–2074:19;

2163:24–2164:7) to remove the sales before Samsung had notice, by the multiplier used by the jury.

However, for other products, the jury awarded an impermissible *form* of damages for some period of time, because Samsung had notice only of utility patents for some period, but an award of infringer's profits was made covering the entire period from August 4, 2010 to June 15, 2012. For these products, the Court cannot remedy the problem by simply subtracting the extra sales.

The products fall into four distinct categories, depending on the combination of IP infringed and award made. The Court will discuss each in turn.

a. Unregistered Trade Dress Dilution Does Not Require Notice, Thus There Is No Excess Damages Award

Damages for dilution of unregistered trade dress do not require notice for an award of damages. *See PAF S.r.l. v. Lisa Lighting Co., Ltd.*, 712 F.Supp. 394, 401 (S.D.N.Y.1989)("Moreover, the holder of a legal trademark, in this case unregistered trade dress, 'is under no obligation to give advance notice of its rights to an infringer before seeking damages or injunctive relief for infringement.'"); *see also* 4 Callmann on Unfair Comp., Tr. & Mono. § 23:79 (4th Ed.) ("[S]tatutory notice is irrelevant to claims for infringement of an unregistered mark under § 43(a) of the Lanham Act or under state law."). Moreover, infringer's profits are a permissible remedy for dilution of registered and unregistered trade dresses. *See* 15 U.S.C. § 1117(a). Thus, for any product for which the jury found dilution of unregistered trade dress, there can be no excess on the basis of notice dates, because an award of Samsung's profits, the highest amount sought by

Apple, would be permissible for the entire period requested by Apple, from August 4, 2010 through the beginning of trial, based on trade dress dilution alone. Because the award is per sale, rather than per type of IP, *see Aero Products*, 466 F.3d at 1000, as long as the award of infringer's profits is authorized for any given sale, there is no need for the award to be separately authorized for each type of IP. There is thus no excess due to notice dates for the following products, all of which were found to dilute Apple's unregistered trade dress:

Fascinate, Galaxy S 4G, Galaxy S II Showcase, Mesmerize, and Vibrant. Accordingly, the jury's award of $381,683,562 for these 5 products stands.

b. Impermissible Infringer's Profits Award

Next, there are 8 phones for which the jury awarded 40% of Samsung's profits for the entire period, but for which, during some of the damages period, infringer's profits was not an authorized remedy. These phones are: Gem, Indulge, Infuse 4G, Galaxy SII AT & T, Captivate, Continuum, Droid Charge, and Epic 4G. All eight of these phones were found to infringe the '381 Patent, for which the correct notice date is August 4, 2010, and one or more design patents, for which the correct notice dates are later. However, an award based on infringer's profits was made for the entire time, without accounting for the fact that from August 4, 2010 until the filing of the relevant complaint, only a utility patent was infringed, and thus only an award of a reasonable royalty or Apple's lost profits was legally permissible.

The law requires the jury to award some amount of damages for each infringing sale. *See* 35 U.S.C. § 284 ("Upon finding for the claimant the court *shall* award

the claimant damages adequate to compensate for the infringement, but *in no event* less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.") (emphasis added). Thus, some of the jury's award of Samsung's profits had to compensate for sales between August 4, 2010 and April 15, 2011. However, as explained above, infringer's profits are not a permissible remedy for utility patent infringement. Thus, for these 8 phones, there is clearly a component of the award that is based on an impermissible legal theory, exactly as there was in *First Alliance Mortgage*. The awards for these 8 phones, accordingly, cannot stand.

For all of these products, Apple alleged infringement of a design patent in the April 15, 2011 original complaint or the June 16, 2011 amended complaint. An award of infringer's profits is thus authorized as of the time Samsung had notice of the relevant design patent. It is only the award from August 4, 2010 to the time of the filing of the relevant complaint that is excessive. However, the Court cannot simply trim off the period of the award before notice of the design patents, because the jury found that these 8 products infringed the '381 Patent, for which there *was* notice as of August 4, 2010. If the Court were to simply subtract all of the award made for the period before notice of the design patents, Apple would not be compensated for the sales made when Samsung had notice of the '381 Patent—a scenario that would run afoul of § 284's requirement that there be compensation for each infringing sale. Thus, to determine an appropriate remittitur, the Court would first have to subtract the award of Samsung's profits for the period made before notice of any design patent, and would

then have to add an award to compensate for infringement of the '381 Patent for the period between August 4, 2010 and the appropriate notice date for each product.

However, as with the Galaxy Prevail, the Court cannot determine an appropriate award to replace the jury's impermissible award of Samsung's profits for this time period. Using the maximum amount supported by the evidence for one of the permissible forms of compensation (i.e. a reasonable royalty or Apple's lost profits) would be inconsistent with the jury's awards of 40% of Mr. Musika's calculation of Samsung's profits for these products, or for products for which a reasonable royalty was awarded, 50% of Mr. Musika's calculation of a reasonable royalty. Indeed, using the *maximum* amount the evidence could have supported for Apple's lost profits or a reasonable royalty might even result in an award *greater* than that made by the jury using the impermissible method—an outcome clearly inconsistent with the Seventh Amendment.

Moreover, Mr. Musika did not testify as to how the jury (or the Court) could calculate Apple's lost profits for a shorter time period. Although he did offer testimony as to how to calculate a reasonable royalty for a shorter time period, *see* Tr.2074:4–19, the sales data the parties provided is broken down only by quarter, and is not sufficiently specific to allow the Court to calculate the correct amount for sales in quarters where notice occurred in the middle of the quarter. Thus, the Court cannot calculate the appropriate amount of Apple's lost profits or a reasonable royalty for the '381 Patent for the relevant time period before notice of the other patents. Accordingly, there is no readily identifiable amount that the Court could remit to remedy this problem.

Nor would it be appropriate for the Court to leave the award intact despite the apparent error, simply because there exists some theory on which the jury might have made such an award. Such a ruling would entail precisely the type of "bending over backward" forbidden by *First Alliance Mortgage*. As the Court can neither calculate an appropriate remittitur nor leave the award intact, the only remaining possibility is to conduct a new trial on damages for these 8 products.

Furthermore, it was Apple's strategic decision to submit an expert report using an aggressive notice date for all of the patents. The need for a new trial could have been avoided had Apple chosen a more circumspect strategy or provided more evidence to allow the jury or the Court to determine the appropriate award for a shorter notice period. Accordingly, the Court ORDERS that a new trial be conducted on the amount of damages for the Gem, Indulge, Infuse 4G, Galaxy SII AT & T, Captivate, Continuum, Droid Charge, and Epic 4G, and strikes $383,467,143 from the jury's award.

c. Infringer's Profits Permissible But Damages Period Too Long

For an additional 3 phones, the jury used Mr. Musika's calculations that assumed the August 4, 2010 notice dates for all patents, but none of these phones infringed the '381 Patent, the only Patent for which the August 4, 2010 date was supported. All three of these phones did, however, infringe the D'677 Patent, meaning that Samsung's profits *are* a permissible remedy beginning with the filing of the original complaint. In other words, these phones are similar to the 8 phones discussed above, but they were not found to infringe the '381 Patent, so there is no need to determine an appropriate award for the gap between

August 4, 2010 and the filing of the relevant complaint, and the Court can simply subtract the damages awarded for the extra days without the need to substitute an alternative award. These 3 phones are: Galaxy S II Skyrocket, Galaxy S II Epic 4G Touch, and Galaxy S II T–Mobile.

Samsung had notice of the D'677 Patent by April 15, 2011 (the date of filing of Apple's original complaint, which included the D'677 Patent). Thus, to remedy any overcompensation, the Court would need to subtract any amount awarded for the period between August 4, 2010 and April 15, 2011. However, the numbers underlying Mr. Musika's calculations show that these products were not sold before April 15, 2011. Specifically, JX1500, the table which the parties agreed showed sales and revenue per quarter for each accused phone, shows that the Galaxy S II Epic 4G Touch was first sold in the third quarter of 2011, and the Galaxy S II Skyrocket and Galaxy S II T–Mobile were both first sold in the fourth quarter of 2011—both *after* the original complaint was filed, giving Samsung notice of the D'677 Patent. Thus, for products for which there were no sales prior to June 15, 2011, there were no damages awarded for the period prior to that date. Consequently, none of the sales that went into Mr. Musika's calculation of Samsung's profits for these three phones was made before Samsung had notice. Accordingly, there is no excess for these three phones, and the jury's award stands. Samsung's motion for a new trial on damages or remittitur for Galaxy S II Skyrocket, Galaxy S II Epic 4G Touch, and Galaxy S II T–Mobile is DENIED. The jury's award of $216,392,254 for these products stands.

d. Reasonable Royalty Awarded But Damages Period Too Long

Finally, for five phones, (Exhibit 4G, Galaxy Tab, Nexus S 4G, Replenish, and Transform), the jury awarded amounts that represent exactly half of Mr. Musika's reasonable royalty calculations. However, these numbers were, as described above, based on incorrect notice dates for several of the patents.

For these phones, the Court could, in theory, adjust Mr. Musika's reasonable royalty amounts to account for the proper notice dates for each patent, and then calculate half of that number for each of the five phones to arrive at an amount consistent with the jury's award, but adjusted for correct notice dates. Mr. Musika provided the per-unit royalty rate for each patent, *see* PX25A1 at 16, and the parties jointly provided the number of units of each product sold per quarter. *See* JX1500.

However, the two later notice dates that apply for the design patents (April 15, 2011 and June 16, 2011) both fall somewhere in the middle of the second quarter of 2011, and thus do not correspond with the dates on which quarters begin or end. The parties have presented no evidence of sales in more specific time frames, so as to permit an accurate apportionment of Samsung's sales throughout the second quarter of 2011. As the sales of these products may not have been evenly distributed throughout the quarter, the evidence is not sufficient to support even a pro-rated award for the sales in the second quarter of 2011, because such an award might include sales for which Samsung had no notice. Moreover, calculating a reasonable royalty beginning with the third quarter of 2011 would leave Apple uncompensated for some number of sales occurring during the second quarter

of that year. Thus, the Court can neither calculate a pro-rated award for the second quarter of 2011 nor begin the award with the third quarter of 2011.

Because the award is excessive but the Court cannot accurately calculate the correct number of sales on which to base a remittitur, the Court ORDERS a new trial for the Exhibit 4G, Galaxy Tab, Nexus S 4G, Replenish, and Transform, and strikes $9,180,124 from the award.

CONCLUSION

Apple's motion for an increase in the jury's damages award is DENIED. The Court declines to determine the amount of prejudgment interest or supplemental damages until after the appeals in this case are resolved.

Because the Court has identified an impermissible legal theory on which the jury based its award, and cannot reasonably calculate the amount of excess while effectuating the intent of the jury, the Court hereby ORDERS a new trial on damages for the following products: Galaxy Prevail, Gem, Indulge, Infuse 4G, Galaxy SII AT & T, Captivate, Continuum, Droid Charge, Epic 4G, Exhibit 4G, Galaxy Tab, Nexus S 4G, Replenish, and Transform. This amounts to $450,514,650 being stricken from the jury's award. The parties are encouraged to seek appellate review of this Order before any new trial.

The jury's award stands for the Galaxy Ace, Galaxy S (i9000), Galaxy S II i9100, Galaxy Tab 10.1 WiFi, Galaxy Tab 10.1 4G LTE, Intercept, Fascinate, Galaxy S 4G, Galaxy S II Showcase, Mesmerize, Vibrant, Galaxy S II Skyrocket, Galaxy S II Epic 4G Touch, and Galaxy S II T–Mobile. The total award for these 14 products is $598,908,892.

IT IS SO ORDERED.

APPENDIX E

NOTE: This order is nonprecedential.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

[Filed: 08/13/2015]

2014-1335, 2015-1029

APPLE INC., a California Corporation,

Plaintiff-Appellee,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean Corporation, SAMSUNG ELECTRONICS AMERICA, INC., A New York Corporation, SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, A Delaware Limited Liability Company,

Defendants-Appellants.

Appeals from the United States District Court for the Northern District of California in No. 5:11-cv-01846-LHK, Judge Lucy H. Koh.

ON PETITION FOR REHEARING EN BANC

Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN, HUGHES and STOLL, *Circuit Judges*.

PER CURIAM.

ORDER

Defendants-Appellants filed a petition for rehearing en banc. A response to the petition was invited by the court and filed by plaintiff-appellee. The petition was first referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on August 20, 2015.

FOR THE COURT

August 13, 2015
Date

/s/ Daniel E. O'Toole
Daniel E. O'Toole
Clerk of Court

APPENDIX F

United States Code
Title 35. Patents
Part II. Patentability of Inventions and Grant of Patents
Chapter 16. Designs

35 U.S.C. § 171. Patents for designs

(a) **In general.**—Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.

(b) **Applicability of this title.**—The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.

(c) **Filing date.**—The filing date of an application for patent for design shall be the date on which the specification as prescribed by section 112 and any required drawings are filed.

United States Code
Title 35. Patents
Part III. Patents and Protection of Patent Rights
Chapter 29. Remedies for Infringement
of Patent, and Other Actions

35 U.S.C. § 284. Damages

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d).

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

United States Code
Title 35. Patents
Part III. Patents and Protection of Patent Rights
Chapter 29. Remedies for Infringement
of Patent, and Other Actions

35 U.S.C. § 289. Additional remedy for infringement of design patent

Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.

Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

APPENDIX G

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

C-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean Business Entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware Limited Liability Company,

Defendants.

Transcript of Proceedings
Before the Honorable Lucy H. Koh
United States District Judge

San Jose, California
August 21, 2012
Volume 13
Pages 3941-4264

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* * *

Number 43. Before you decide whether Samsung Electronics Company, Samsung Electronics America, and/or Samsung Telecommunications America have infringed one or more of Apple's asserted design patents, or whether the design patents are invalid, you will have to understand the design patent claims.

Unlike utility patents, a design patent can only have one claim. That claim covers all of the figures in the patent. It is permissible to illustrate more than one embodiment of a design in a single design patent application.

Each design patent contains multiple drawings to illustrate the claimed design. The scope of the claim encompasses the design's visual appearance as a whole. It does not cover a general design concept, and it is not limited to isolated features of the drawings.

All matters depicted in solid lines contributes to the overall appearance of the design.

It is my job as a judge to interpret for you what is claimed by the patents. You must accept my interpretations as correct. My interpretations should not be taken as an indication that I have an opinion one way or another regarding the issues of infringement and invalidity. The decisions regarding infringement and invalidity are yours to make.

When considering the design patents, you should view certain features in the drawings in this way:

The D'677 patent claims the ornamental design of an electronic device as shown in figures 1 through 8. The broken lines in the D'677 patent constitute unclaimed subject matter.

The use of solid block surface shading in the D'677 patent represents the color black. The use of oblique line shading on the D'677 patent is used to show a transparent, translucent or highly polished or reflective surface.

The D'087 patent covers—I'm sorry—claims, excuse me, the ornamental design of an electronic device as shown in figures 1 through 14. The broken lines in the D'087 patent constitute unclaimed subject matter.

Thus, the D'087 patent claims the front face, a bezel encircling the front face of the patented design that extended from the front of the phone to its sides, and a flat contour of the front face, but does not claim the rest of the article of manufacture.

The D'889 patent claims the ornamental design of an electronic device as shown in figures 1 through 9.

*** The broken lines depicting the human figure in figure 9 do not form a part of the claimed design.

The other broken line on the other figures are part of the claimed design.

The D'889 also includes oblique line shading on several of the figures. The oblique line shading in figures 1 through 3 and figure 9 depicts a transparent, translucent or highly polished or reflective surface from the top perspective of the claimed design, the top view of the claimed design, and the bottom perspective view of the claimed design.

The D'305 patent claims the ornamental design for a graphical user interface for a display screen or portion thereof as shown in figures 1 through 2. The broken line showing of a display screen in both views forms no part of the claimed design.

* * *

Number 46. To determine direct infringement of a design patent, you must compare the overall appearances of the accused design and the claimed design.

If you find by a preponderance of the evidence that the overall appearance of an accused Samsung design is substantially the same as the overall appearance of the claimed Apple design patent and that the accused design was made, used, sold, offered for sale or imported within the United States, you must find that the accused design infringed the claimed design.

Two designs are substantially the same if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, the resemblance between the two designs is such as to deceive such an observer, inducing him to purchase one supposing it to be the other.

You do not need, however, to find that any purchasers actually were deceived or confused by the appearance of the accused Samsung products.

You should consider any perceived similarities or differences between the patented and accused designs. Minor differences should not prevent a finding of infringement.

This determination of whether two designs are substantially the same will benefit from comparing the two designs with prior art. You must familiarize yourself with the prior art admitted at trial in making your determination of whether there has been direct infringement.

You may find the following guidelines helpful to your analysis:

The placement and ornamentation of a logo may alter the overall design. However, the use of a mark or logo to identify the source of an otherwise infringing design will not avoid infringement.

When the claimed design is visually close to prior art design, small differences between the accused design and the claimed design may by [sic] important in analyzing whether the overall appearances of the accused and claimed designs are substantially the same.

If the accused design includes a feature of the claimed design that departs conspicuously from the prior art, you may find that feature important in analyzing whether the overall appearance of the accused and claimed designs are substantially the same.

If the accused design is visually closer to the claimed design than it is to the closest prior art, you may find this comparison important in analyzing whether the over appearance of the accused and claimed designs are substantially the same.

You should not consider the size of the accused products if the asserted design patent did slightly different [sic] not specify the size of the design.

While these guidelines may be helpful, the test for infringement is whether the overall appearances of the accused design and the claimed design are substantially the same.

Whether Samsung knew its products infringed or even knew of Apple design patents does not matter in determining infringe action.

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Number 52. Design patents protect the ornamental appearance, including shape or configuration, of an article of manufacture.

If Samsung proves by clear and convincing evidence that the overall appearance of an Apple patented design is dictated by how the article claimed in the patent works, the patent is invalid because the design is not "ornamental."

In other words, the inventor did not "design" anything because in order to achieve the function of the design, it had to be designed that way.

When deciding this, you should keep in mind that design patents must be for articles of manufacture, which by definition have inherent functional characteristics. It is normal that claimed designs perform some function. That does not disqualify them from patent protection.

In determining whether a design is dictated by functionality, you may consider whether the protected design represents the best design, whether alternative designs would adversely effect [sic] the utility of specified article, whether there are any concomitant utility patents, whether the advertising touts particular features of the design as having specific utility, and whether there are any elements in the design or an overall appearance clearly not dictated by function.

When there are several other designs that achieve the function of an article of manufacture, the design of the article is more likely to serve a primarily ornamental purpose. However, this may not be true if the other designs adversely affect the utility of the article.

* * *

Number 54. In this case, Apple seeks Samsung Electronics Company's, Samsung Electronic America's, and Samsung Telecommunications America's profits from sales of products alleged to infringe Apple's design patents. If you find infringement by any Samsung defendant and do not find Apple's design patents are invalid, you may award Apple that Samsung Defendant's total profit attributable to the infringing products.

The "total profit" of Samsung Electronics Company, Samsung Electronics America and/or Samsung Telecommunications America means the entire profit on the sale of the article to which the patented design is applied and not just the portion of profit attributable to the design or ornamental aspects covered by the design.

"Total profit" does not include profit attributable to other products that may be sold in association with an infringing article embodying the patented design.

If you find infringement by any Samsung defendant, Apple is entitled to all profit earned by that defendant on sales of articles that infringe Apple's design patents. Profit us [sic] determined by deducting certain expenses from gross revenue. Gross revenue is all of the infringer's receipts from the sale of articles using any design found infringed. Apple has the burden of proving the infringing defendant's gross revenue by a preponderance of the evidence.

Expenses can include costs incurred in producing the gross revenue, such as the cost of the goods. Other costs may by included as deductible expenses if they are directly attributable to the sale or manufacture of the infringing products resulting in the nexus between the infringing products and the expense. Samsung has the burden of proving the deductible expenses.

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